招商銀行

CHINA MERCHANTS BANK

CHINA MERCHANTS BANK CO., LTD.

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

H Share Stock Code : 03968

Preference Share Stock Code : 04614

2021 Annual Report

Contents

Definitions

The Company, the Bank, CMB or China Merchants Bank:

China Merchants Bank Co., Ltd.

The Group:

China Merchants Bank and its subsidiaries

CBIRC:

China Banking and Insurance Regulatory Commission

CSRC:

China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:

The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:

The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:

CMB Wing Lung Bank Limited

CMB Wing Lung Group:

CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:

CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:

CMB International Capital Holdings Corporation Limited

CMB Wealth Management:

CMB Wealth Management Company Limited

China Merchants Fund or CMFM:

China Merchants Fund Management Co., Ltd.

CIGNA & CMAM:

CIGNA & CMB Asset Management Company Limited

CMB Europe S.A.:

China Merchants Bank (Europe) Co., Ltd. (招商銀行(歐洲)有限公司)

CIGNA & CMB Life Insurance:

CIGNA & CMB Life Insurance Co., Ltd.

MUCFC:

Merchants Union Consumer Finance Company Limited

China Merchants T-Bank:

China Merchants T-Bank Co., Ltd. (under preparation)

CMB YunChuang:

CMB YunChuang Information Technology Co., Ltd. with 100% equity interest held by the Company indirectly

CMB Network Technology:

China Merchants Bank Network Technology (Shenzhen) Co., Ltd. with 100% equity interest held by the Company indirectly

Deloitte Touche Tohmatsu Certified Public Accountants LLP:

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

SFO:

Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code:

Model Code for Securities Transactions by Directors of Listed Issuers of Hong Kong Stock Exchange

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures. Please refer to Chapter III for the details in relation to risk management.

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this annual report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will severally and jointly accept legal responsibility for such contents.

2. The 37th meeting of the Eleventh Session of the Board of Directors of the Company was convened on 18 March 2022 by way of video conference. The meeting was presided by Miao Jianmin, Chairman of the Board of Directors. 16 out of 16 eligible Directors attended the meeting in person. 9 Supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd.

3. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (both being auditors of the Company) have separately reviewed the 2021 annual financial report prepared in accordance with the PRC Generally Accepted Accounting Principles and International Accounting Standards, and have separately issued standard auditing reports with unqualified opinions.

4. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.

5. Miao Jianmin, Chairman of the Company, Tian Huiyu, President and Chief Executive Officer, Wang Liang, First Executive Vice President, Chief Financial Officer and Secretary of the Board of Directors, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.

6. The profit appropriation plan: it was proposed that 10% of the audited net profit of the Company for 2021 of RMB109.794 billion, equivalent to RMB10.979 billion, would be allocated to the statutory surplus reserve, while 1.5% of the amount of the increased balance of the Company's assets that bearing risks and losses at the end of the period, equivalent to RMB11.874 billion, would be appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company will declare a cash dividend of RMB1.522 (tax included) for every share to all shareholders of the Company whose names appear on the register, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual profit appropriations amount in HKD would be calculated based on the average benchmark rate for RMB to HKD published by the People's Bank of China for the previous week (including the day of the shareholders' general meeting) before the date of the shareholders' general meeting. The retained profits will be carried forward to the next year. In 2021, the Company did not transfer any capital reserve into share capital. The above profit appropriation plan is subject to consideration and approval at the 2021 Annual General Meeting of the Company.

7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Chairman's Statement

2021 is a milestone year in which the Communist Party of China celebrated its centenary, and China achieved its first centennial goal and geared into a new journey towards its second centennial goal. This year, China Merchants Bank thoroughly practiced quality development and achieved outstanding operating results. The Group realised net operating income for the year amounting to RMB331.4 billion, a year-on-year increase of 14.17%, and net profit attributable to shareholders of the Bank amounting to RMB119.9 billion, a year-on-year increase of 23.20%. With continued improvement of asset quality and constant reinforcement of ability to withstand risks, the Group recorded the non-performing loan ratio of 0.91% and the allowance coverage ratio of 483.87%. The cost-to-income ratio saw a "inflection point" for the first time since 2016. The operation efficiency improved significantly. The return on average equity (ROAE) and the return on average assets (ROAA) of the Group reached 16.96% and 1.36%, respectively, representing a year-on-year increase of 1.23 percentage points and 0.13 percentage point, respectively. In 2021, China Merchants Bank was selected as the "Best Bank in China" by Euromoney for the third consecutive year, which marked the first "3 Consecutive Championships" in its awarding history.

"Business fortunes are closely bound up with national destiny." China Merchants Bank's healthy development and outstanding achievements epitomised vigorous development in China since the reform and opening up, a portrayal of reform and innovation of financial industry in the country, and the culmination of continuous efforts of the generations of CMBers by upholding their original aspiration, sticking to the "Two Consistent Principles", and adhering to the concepts of marketisation, differentiation, innovative development and prudent risk management. **We are grateful to the contemporary age and live up to its expectation**. Standing at the historical intersection of the "two centennial goals", and riding the tide of the times, **we pay tribute to history and march toward the future**.

"Transformation will lead to flexibility, and thus lead to long-term success." Only by continuously advancing transformation and reform can we therefore maintain our long-term market competitiveness and achieve a long-lasting foundation. The "Malik Curve" named after the European management scientist Fredmund Malik explains that enterprises gain new development space through transformation and reform, which not only fits our development process, but also brings us profound enlightenment. The first is that enterprises will gradually become mediocre or even disappear if the transformation and reform is not carried out in a timely manner; the second is to firmly make key strategic decisions during the strategic window; the third is that making key strategic decisions requires a strong sense of crisis and strategic insight; the fourth is that long-term and firm strategy execution is required. In 2021, on the basis of summarising the achievements and experience of the "13th Five-Year Plan" and in consideration of the operating environment in the new development stage of the nation, we formulated the "14th Five-Year" strategic plan, which highlighted the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features", put forward the China Merchants Bank 3.0 model of "extensive wealth management, digital operation and openness and integration", focused on the three capacity building of "wealth management, Fintech and risk management", and thus making key strategic decisions at the strategic transition window and realising the "Malik Curve" of China Merchants Bank in the new era.

"One who stands on tiptoes can't stand firm, and one who strides can't walk far." We adhere to the general tune of making steady progress, and do not make progress blindly and do not rush for quick but short-term success. **In 2021, we took a solid step towards the strategic vision of the "14th Five-Year Plan" and achieved a breakthrough in the "3.0 model", assuming a good start.** We adhere to the principle of "customer-centric" and focus on both assets and liabilities of the customer's balance sheet to promote the cyclic value chain of extensive wealth management. As of the end of 2021, the retail customer base exceeded 170 million, and total assets under management (AUM) from retail customers exceeded 10 trillion with an increment of more than RMB1 trillion again. The scale of assets under custody increased to nearly RMB20 trillion with the scale of assets under management exceeding RMB4 trillion[1]. We are highly open to the outside world and highly integrated internally. We vigorously promoted the construction of an open wealth management platform, built an ecosystem of wealth management, attracted 87 asset management institutions, and introduced high-quality products from the wealth management subsidiaries of 8 peer banks. We insisted on investing in Fintech, and continued to promote host cloud and application cloud, and our technical capabilities are among the best in the domestic financial industry in terms of natural language processing, knowledge graph and human-computer dialogue. We relied on technological capabilities to enhance service efficiency, leveraged on corporate digital services to achieve the rapid growth of corporate customer base, so as to highlight the characteristics and enhance the competitiveness of corporate business. At the end of 2021 and the beginning of 2022, the digital RMB was successfully launched, and CMB officially became a digital RMB operating agency recognised by the central bank.

[1] The scale of assets under management includes the total of asset management businesses of CMB Wealth Management, China Merchants Fund, CMB International Capital and CIGNA & CMAM as of the end of the reporting period.

Miao Jianmin
Chairman

"Be well prepared to benefit all the people". We are not only seeking business opportunities, but also planning for the nation. **In 2021, we integrated into the overall situation of the development of the nation, thoroughly implemented ESG concepts, and actively fulfilled our corporate social responsibilities.** We built the CMB Sunflower Sustainable Development Model, practiced financial charity, responded to climate changes, broadened the career platform for our employees, enhanced people's well-being, elevated customer experience, and promoted sound governance. We supported the technological innovation of the whole society, served the technological self-reliance of the nation with finance, and nourished "specialised, competitive, distinguished, and innovative (專精特新)" enterprises with financial innovation as the "running water". We actively assisted the implementation of national and regional major strategies and regional coordinated development strategies, and accelerated the creation of a "cross-border wealth management" service system. Adhering to the principle of inclusiveness, we served the development of the economy and the people's livelihood, and used digital technology to improve the efficiency and coverage of financial services. As at the end of 2021, the balance of SME inclusive finance loans amounted to RMB601.1 billion, representing a faster growth rate than that of loans in general. We continuously improved and perfected the modern corporate system, and strived to promote quality development with high-quality corporate governance. We promoted and accelerated the development of green finance, clarified the strategic goal and implementation path of green finance, and increased efforts to promote innovation in the services and products of green finance. As at the end of 2021, the balance of green loans was RMB263.8 billion, representing an increase of 26.49% as compared with the beginning of the year. In 2021, China Merchants Bank's MSCI ESG rating was upgraded to A. We assisted in the prevention and control of the pandemic and vigorously fulfilled our social responsibilities. In the election of the 11th China Charity Award of the Ministry of Civil Affairs, the Company won the "China Charity Award" for its outstanding contributions to the fighting against the pandemic. Yongren and Wuding, the two counties we helped with poverty alleviation, have been lifted out of poverty as scheduled. Nevertheless, we will continue to devote ourselves to effectively supporting the comprehensive revitalisation of the two counties.

"Taking actions after well planning, and knowing our objectives and goals, we will thus know the direction and expectation of work, and will achieve perfection." Under the impact of the pandemic unseen in a century, the changes unseen in a century have evolved at an accelerated pace, and the external environment has become more complicated, severe and uncertain. The domestic economic development faced triple pressures of shrinking demand, disrupted supply and weakening expectations. Under the changing circumstances, we had strong strategic confidence and strategic determination to deal with the situations calmly, and have always adhered to the "three constants" principles of the President assuming full responsibility under the leadership of the Board of Directors, the market-oriented incentive and restraint mechanism, and the stability of the management team and talents. We will continue to strengthen the implementation of strategies, take the enhancement of the "three capabilities in wealth management, Fintech and risk management" and building the 3.0 model as major tasks in implementing the "14th Five-Year Plan", and uphold quality development which integrates innovation, coordination, green finance, openness and shared development. We will grasp the dialectical relationship between "stability" and "advancement" by promoting "advancement" with "stability" and consolidating "stability" with "advancement". We will continue to catch up with and outpace peers in the industry dispersion trend. We will handle the evolutionary relationship between "light" and "heavy" properly, strengthen the capital-heavy credit business and expand the capital-light wealth management business, and accelerate the transformation of the business model.

– **Insist on model transformation and focus on building wealth management capabilities.** We will continue to expand our customer base, enhance our asset allocation for customers and product portfolio management, and become the "preferred" bank for clients' wealth management. We will further push ahead with the "Original Aspiration Plan (初心計劃)", focus on improving the experience of customers and employees, and systematically upgrade wealth management capabilities.

– **Insist on business transformation and focus on building Fintech capabilities.** We will accelerate the full application of Fintech to support business transformation. We will as always support investment in Fintech, constantly adhere to the concept of fault tolerance, and encourage and support major, cutting-edge and disruptive Fintech innovations. And we will continue to carry out "independent innovation" and master "core technologies".

– **Insist on quality development and focus on building risk management capabilities.** We will build a cyclic extensive wealth management value chain in a light-capital way, and reasonably control the growth rate of risk-weighted assets. We will further improve our capability to asset allocation, strengthen the Group-wide unified risk management, continuously improve anti-money laundering and internal control compliance management, and increase efforts in the management and treatment of risky accounts.

– **Insist on sustainable development and focus on fulfilling social responsibilities.** We will implement the central government's policies to deal with the impact of the pandemic, improve the quality and efficiency of serving the real economy, increase efforts to cultivate and support the "specialised, competitive, distinguished and innovative (專精特新)" enterprises, and vigorously promote the development of inclusive finance by fully leveraging our Fintech advantages. We will also focus on and support the development of green finance, optimise the risk management system of green finance, and assist in the implementation of the State's "peaking carbon dioxide emissions" and "carbon neutral" goals.

2022 is the year for the 20th National People's Congress of the Party, and in which CMB will also celebrate its 35th anniversary. **Those who share common aspirations will win, and those who overcome challenges together will prosper.** We will unswervingly deepen model transformation and business transformation, and unremittingly enhance the construction of "three capabilities" to create more value for customers, employees, partners, shareholders and society. We will construct our own "Malik Curve" of model transformation, cross over the economic cycles to build a well-known brand for a century and realise a long-lasting business.

China Merchants Bank Co., Ltd.

Chairman

缪建民

18 March 2022

President's Statement

In 2021, China Merchants Bank strived to implement the new development concept, and once again paid tribute to the historical intersection of the "two centennial goals" by delivering quality development. ROAA and ROAE of the Group increased to 1.36% and 16.96%, respectively, asset quality was further improved, and the non-performing loan ratio returned to below 1%. More customers chose CMB as the principal bank for wealth management and corporate services. Total assets under management (AUM) from retail customers exceeded RMB10 trillion, and aggregate financing products to corporate customers (FPA) increased to nearly RMB5 trillion.

2021 was the first year of CMB's extensive wealth management, and the dream that "wealth management could knock on the door of every ordinary Chinese household" was gradually coming true. "Zhao Zhao Bao (朝朝寶)" linked up the main payment accounts and wealth management accounts, and lowered the threshold for wealth management so that young customers may get their first experience with wealth management. The open wealth management platform redefined the industry ecology and the logic of competitive and cooperative relationship. Our cyclic value chain of "wealth management – asset management – investment banking" operated efficiently, with the size of assets under management exceeding RMB4 trillion, and the size of assets under custody increasing to nearly RMB20 trillion. The extensive wealth management income[2] for the year accounted for nearly 16% of the net operating income, becoming the key minority in our exploration of a new business model.

Since the second half of the "Light-model Bank" transformation, we have been making unprecedented efforts to build a Digital Bank, enabling customers to enjoy the convenience of digitalisation in every process of customer services. We led organisational evolution with openness and integration and staged a "quiet revolution". Hundreds of integration teams were active across organisational boundaries, breaking the walls between business lines as well as departments. Technology and culture are becoming two "wings" for the extensive wealth management, invisible but powerful.

The 3.0 model was still an obscure concept three years ago when we proposed the exploration. After three years of hard work, we now see in front of us an increasingly clear outline – "extensive wealth management business model + digital operational model + open and integrated organisational model", which is also the closest thing to what our ideal "Light-model Bank" would look like.

The higher we climb, the more we see the greatness of mountains and the insignificance of ourselves. We can only address the uncertainties of global changes unseen in a century with the certainties of our own progress. China is undergoing "the grandest and most unique practice and innovation in human history". Economic transformation and upgrading have converged with people's desire for a better life. The cross-boundary application of technology and capital has blurred industrial and regional boundaries, and direct financing is increasingly becoming the mainstream.... Facing such changes, we are aware that we have not been fully prepared. Over the years, commercial banks have been committed to building a financial statement based on accounting standards, and endeavored to strike a balance in managing "risk, capital and business". However, this statement narrows our focus to operating results instead of more diverse customer needs or more subtle problems faced by customers. Only by changing from managing merely "the bank's financial statement" to managing also "the customers' financial statements", can we achieve quality growth while bringing value to customers. This is the core essence of CMB's exploration of the 3.0 model.

Therefore, the essence of the 3.0 model is to uphold our original aspirations. "Being customer-centric and creating value for customers" is our unchanging original aspiration and our most authentic values. The deviation and wavering of the value propositions at any time are the biggest obstacles on our way forward. Value propositions are not vague concepts. They are reflected in every consideration of our operation and management, as well as every choice we make when faced with dilemmas.

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[2] The income from extensive wealth management includes the fees and commissions from wealth management, asset management and custody businesses.

For returning to our original aspirations, we must first be closer to our customers. Banks have been challenged by “the impossible trinity” of “serving large numbers of customers while maintaining quality offerings at limited costs” for many years. At present, 0.17 billion retail customers and 2.32 million corporate customers have selected China Merchants Bank, but most of them still remain underserved. If things go on like this, customers will eventually become an abstract concept on the financial statement. The more socially alienated the era becomes, the more precious the warmth of “we are here” is. We shall give full play to the advantages of “people + digitalisation”, and establish a 24/7 service network consisting of “relationship managers + remote services + APP”, so as to shorten reach time, expand service radius and enable China Merchants Bank to respond to you anytime, anywhere.

Getting closer to customers is to better understand them. China’s economy is experiencing an unstoppable rising trend and has become a crucial force in the reconstruction of the global industry chain. In face of the new economies and the new growth engine entities, we are still fresh learners who should remain in awe of the complexity of the business world, proactively improve our industry knowhow through specialised operation and industry self-organisation, and seek to speak the same language with more customers we serve, so as to achieve synergy. Likewise, under the “filter” of traditional asset stratification, our observation of retail customers’ risk-return preferences is far from concrete. Responding to different expectations of segmented customer groups will surely be the future of wealth management. We will attempt to perceive customer preferences from more dimensions, to understand customers with not just big data, but also a human touch.

Creating value for customers requires a broader perspective on our professional capabilities. A large number of rivals have emerged on the track of wealth management. Whoever leads in pivoting from “self-centric product sales” to “customer-centric asset allocation” will be able to occupy the dominant position and build a real “moat” for wealth management. From the standpoints of running businesses, it is increasingly difficult to regard multi-dimensional scenarios as separate cases, namely sales, procurement, capital operation, digital transformation, industrial chain and investment chain arrangements, retail banking needs of executives and employees, etc. We will put together our knowhow in investment banking, commercial banking, private banking, technology, and research (“ICPT”) as a combined offering for customers, creating an integrated and comprehensive service capacity that only CMB can deliver.

Today, the barriers between departments within banks have made it increasingly difficult to meet the needs of customers for comprehensive services. The traditional bureaucratic system and regional profit centers of banks form a “grid-like (井字狀)” block structure. Each business unit is confined in its own block with little understanding of the bigger picture. Interests of different blocks, which make perfect sense in their separate ways, often become conflicted and unreasonable when integrated at the customer level. Culture determines the success or failure of an organisation in a subtle but real way. We took openness and integration as the methodology, attempted to address complex demands for comprehensive services with a more flexible organisational formation, fix customers’ extended pain points on their industry chain and investment chain, and offer the experience of “One CMB” to meet group customers’ needs with different CMB branches across the country. We believe that this may be a key to solving the problem of “fallacy of composition (合成謬誤)”.

Creating value for customers calls for a workforce that places “values above KPIs”. Some of our staff have long been accustomed to strong performance orientation, and can do nothing without KPIs, which breeds short-termism, parochialism and commercial opportunism. If everything we do is based on the KPIs, all the numbers will only become the basis of next year’s tasks. However, if we do things in a customer-centric manner, all the efforts will become the basis for future development. We believe that all truly great and inspiring things are created by self-motivated individuals. We’ve made clear that values are the primary criterion for evaluating cadres, and attempted to exempt “KPI” appraisals for some units, so that employees could find the meaning of work in creating value for customers while realising their own value. Performance appraisal of large enterprises has always been a difficult problem. However, we must confront and solve the problem, because business models determine how well we can develop, and value propositions determine how far we can go.

Today, the symbiotic relationship between enterprises and the outside world is closer than any previous historical period. People’s well-being is the cause and purpose of all wealth creation. CMB has the obligation and ability to assume greater social responsibilities. We will infiltrate the ESG concept into our daily operation and management with greater efforts and more resources. CMB will insist on common prosperity, use wealth to improve the well-being of people, make contributions and play its role in the fields of rural revitalisation, education, environmental protection, etc., and serve as a bridge connecting customers, employees and partners, connecting charitable activities with financial innovation and technological empowerment, as well as connecting the commercial world with humanistic spirit.

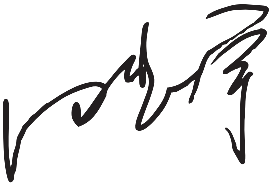
Tian Huiyu
President

Immanuel Kant said, "Two things awe me most, the starry sky above me and the moral law within me." To "connect" the transformation and upgrading of the national economy with the people's desire for a better life, and to forge the new model of quality development, are "the starry sky" above us and "being customer-centric and creating values for customers" are "the moral law" within us. CMBers firmly believe that if we live up to our original aspirations, our future will not fail us.

35 years ago, CMB was born following the simple desire of people pursuing a well-off life. Today, we are honored to serve people's yearn for an even better life. Just as Su Bingtian focuses on speeding up every 0.01 second, we are also willing to unwaveringly help everyone grow stronger and move towards a bright future.

China Merchants Bank Co., Ltd.

President



18 March 2022

Xiong Liangjun
Chairman of the Board of Supervisors

Company Information

1.1 Company Profile

1.1.1 **Registered Company Name in Chinese:** 招商銀行股份有限公司(Abbreviated Name in Chinese: 招商銀行)
Registered Company Name in English: China Merchants Bank Co., Ltd.

1.1.2 **Legal Representative:** Miao Jianmin
Authorised Representatives: Tian Huiyu, Wang Liang
Secretary of the Board of Directors: Wang Liang
Joint Company Secretaries: Wang Liang, Ho Wing Tsz Wendy
Securities Representative: Xia Yangfang

1.1.3 **Registered and Office Address:** 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.1.4 **Mailing Address:**
7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China
Postcode: 518040
Tel: +86 755 8319 8888
Fax: +86 755 8319 5109
E-mail: cmb@cmbchina.com
Website: www.cmbchina.com
Customer complaint hotline: 95555-7
Credit card complaint hotline: 400 820 5555-7

1.1.5 **Principal Place of Business in Hong Kong:** 31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong

1.1.6 **Share Listing:**
A Shares: Shanghai Stock Exchange
Abbreviated Name of A Shares: CMB
Stock Code: 600036
H Shares: SEHK
Abbreviated Name of H Shares: CM BANK
Stock Code: 03968
Domestic Preference Shares: Shanghai Stock Exchange
Abbreviated Name of Shares: Zhao Yin You 1 (招銀優1)
Stock Code: 360028
Offshore Preference Shares: SEHK
Abbreviated Name of Shares: CMB 17USDPREF
Stock Code: 04614

1.1.7 **Domestic Auditor:** Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office Address: 30th Floor, Bund Center, 222 Yan'an Road East, Shanghai, China
Certified Public Accountants for Signature: Zhu Wei, Wu Lingzhi
International Auditor: Deloitte Touche Tohmatsu
Office Address: 35th Floor, One Pacific Place, 88 Queensway, Hong Kong

1.1.8 **Legal Advisor as to PRC Law:** Jun He Law Offices
Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.1.9 **Registrar for A Shares:** China Securities Depository & Clearing Corporation Ltd., Shanghai Branch
Share Register and Transfer Office as to H Shares: Computershare Hong Kong Investor Services Ltd.
Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Registrar for Domestic Preference Shares: China Securities Depository & Clearing Corporation Ltd., Shanghai Branch
Registrar and Transfer Agent for Offshore Preference Shares: The Bank of New York Mellon SA/NV, Luxembourg Branch

1.1.10 **Newspapers and Websites Designated for Information Disclosure:**
Mainland China: "*China Securities Journal*" (www.cs.com.cn), "*Securities Times*" (www.stcn.com), "*Shanghai Securities News*" (www.cnstock.com),
website of Shanghai Stock Exchange (www.sse.com.cn),
website of the Company (www.cmbchina.com)
Hong Kong: website of SEHK (www.hkex.com.hk), website of the Company (www.cmbchina.com)
Place for maintenance of periodic reports: Office of the Board of Directors of the Company

1.2 Corporate Business Overview

Founded in 1987 with its Head Office in Shenzhen, China, the Company is a commercial bank with distinctive operating features and market influence in China. The Company mainly focuses on the market in China. The Company's distribution network primarily covers major cities in mainland China, as well as international financial centers such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. The Company was listed on Shanghai Stock Exchange in April 2002 and the SEHK in September 2006.

The Company provides customers with various wholesale and retail banking products and services, and maintains treasury businesses for proprietary purpose and on behalf of customers. Many innovative products and services of the Company have been widely recognised by consumers in China. Retail banking services include "All-in-one Card", a multi-function debit card, credit cards, the "Sunflower Wealth Management" services and private banking services, "All-in-one Net", a comprehensive online banking service platform, CMB APP and CMB Life APP. Wholesale banking services include payment and settlement, investment and financing, cash management, supply chain financing and cross-border financing services, asset management, asset custody and investment banking. The Company continues to tap further into the living and business circles of customers for opportunities, and provide customers with customised, intelligent and comprehensive solutions for their marketing chains, industry chains and investment chains.

The Company continued to deepen the "Light-model Bank" strategy and actively explore the 3.0 business model transformation. During the "14th Five-Year Plan" period, with the completion of the building of a well-off society, the constant increase in the percentage of financial assets of ordinary households, accelerated pace of industrial restructuring, the Company keeps up with the trend by striving to build the cyclic extensive wealth management value chain, linking the assets and funds of the entire society, and setting up a 3.0 business model with "extensive wealth management business model + digital operation model + open and integrated organisational model" as the core, so as to serve as a connector that links the transformation and upgrade of the national economy with the better life of the people.

During the reporting period, the Company adhered to the core value of "customer-centric and creating value for customers", maintained its strategic determination, and actively explored and improved the 3.0 model. The advantages of the business model of extensive wealth management were highlighted, the digital operation model was increasingly improved, the open and integrated organisation model continued to evolve, and the core competitiveness was further strengthened. At the same time, the Company actively responded to the national call for "peaking carbon dioxide emissions" and "carbon neutral", and for common prosperity by accelerating the construction of a new responsibility system of "environment, society and governance" with characteristics of China Merchants Bank.

1.3 Development Strategies

Strategic vision:	Adhering to our "Light-model Bank" strategic direction and strategic positioning of "One Body with Two Wings", we are strived to become the "Best Value Creation Bank" with innovation-driven development, leading model and distinguished features.
Strategic direction:	Adhering to our "Light-model Bank" strategy, we will continue to explore the development path in the weak cycle by focusing on "light asset, light operation, light management and light culture".
Strategic positioning:	Adhering to our strategic positioning of "One Body with Two Wings", we will build us into "a leading retail bank, a professional corporate bank, and an open interbank" to promote the comprehensive integration of "One Body with Two Wings", with an aim to improve the integrated operation mechanism, and form the flywheel effect among various parties.
Strategic objectives:	Relying on the 3.0 development model, we target to become the best wealth management bank, the best Fintech bank, the best risk management bank, the bank offering the best customer experience and the most socially responsible bank.
Core Value:	Being customer-centric and creating values for customers.

Development Strategies:

Promoting the transformation of the extensive wealth management business model with customers as the center. Firstly, we are to transform the business concept with the customer as the center, from the perspective of our own balance sheet operation to the perspective of customer balance sheet operation, from the line operation model to the integrated operation model, and from the independent system operation model to the open system operation model. Secondly, we are to innovate and develop the extensive wealth management business model. Base on a cyclic customer chain formed by the entire customer base, we will build a product portfolio chain based on all our products, consolidate the asset and capital organisation chain with the entire market as resources, and build a regional development chain with the goal of collaborative growth. Thirdly, we are to form a cyclic value chain of extensive wealth management of "wealth management – asset management – investment banking" through comprehensive business synergy and open operation to achieve the flywheel effect.

Promoting the upgrade of the operational model with comprehensive digital development. Relying on Fintech, focusing on online, data, smart, platform and ecological development, we will comprehensively promote the digital reshaping of financial infrastructure and capability system, customers and channels, businesses and products, management and decision-making.

Driving evolution of organisational model with openness and integration. Firstly, we are to consolidate the cultural foundation of a "Light-model Bank" to create a light culture system featuring openness, integration, equality and tolerance. Secondly, we are to build the organisational foundation of a "Light-model Bank" to set up an efficient team with strong professional ability, high degree of openness and integration, and good employee experience, thus forging the organisational competitiveness of the 3.0 development model.

Building a comprehensive risk and compliance management system that adapts to the 3.0 development model. Adhering to the customer-centric risk management concept, using Fintech as the tool, and taking a prudent risk appetite as a guarantee, we will create a "six all" risk management system covering all customers, all assets, all risks, all institutions, all processes, and all elements.

1.4 Honors and Awards

In 2021, the Company received a number of honors and awards from organisations both at home and abroad, including:

- On the list of "The Top 500 Banking Brands 2021" released by The Banker (UK) in February 2021, the Company ranked 10th with a brand value of USD21.044 billion.
- In June 2021, the Company won "Overall Best National Private Bank", "Best Private Bank for Inter-generational Wealth Transfer", "Best Private Bank for Product Development" and "Best Private Bank for Family Offices" at the ceremony for the "Asia Private Banking Awards 2021 (China)" held by Asiamoney. In the same month, the Company was awarded the "Transaction Bank of the Year" and "Best Transaction Bank for International Cash Management" at the ceremony for the "Best Transaction Banks in China Awards 2021" held by Asiamoney.
- In June 2021, the Company ranked 14th, in terms of tier 1 capital, on the list of "Top 1,000 World Banks 2021" released by The Banker (UK), up by 3 places from the previous year and maintained in top 20 for four consecutive years.
- In July 2021, the Company received the award of "Best Bank in China" at the "2021 Awards for Excellence" ceremony staged by Euromoney for the third consecutive year, which marked the first "3 Consecutive Championships" in its awarding history.
- In July 2021, the list of Fortune China 500 was announced, on which the Company ranked the 37th in terms of operating income. The following month, the list of Fortune Global 500 was officially released, on which the Company appeared for 10 consecutive years, ranking the 162nd in terms of operating income, up by 27 places from the previous year.
- In September 2021, in the "Outstanding Companies Poll" organised by Asiamoney, the Company was honored as the "Best Listed Company in the Banking Industry in China". In the same month, the Company won the "Best Corporate and Investment Bank" in a row and the "Best Domestic M&A" awards in the selection of the "China Corporate and Investment Banking Awards 2021" hosted by Asiamoney.
- In September 2021, in the selection of the 11th China Charity Award, the Company was selected in the "Commendation List for Outstanding Contributions in Fighting against the COVID-19 Pandemic" under the donating enterprise category.
- In September 2021, the US "Global Finance" magazine released the results of the 2021 Sustainable Finance Awards, and the Company won the "Outstanding Leadership in Sustainable Bonds in the Asia-Pacific Region" award.
- In October 2021, the Company won the "Best Retail Bank in China" in "Asia Trailblazer 2021" hosted by Retail Banker International.
- In October 2021, in the selection of "Dimensity Award 2021" organised by Securities Times, the Company won the "High-quality Development (Comprehensive Award)", "Golden Wealth Management Brand (Zhao Zhao Bao)" and "Outstanding Asset Custody" award.
- In December 2021, the Company won "Top Three Best Employers", "Most Socially Responsible Employer" and "Most Admired Employer by Women" at the awards ceremony for the "Best Employer in China 2021" jointly organised by Zhaopin.com and Institute of Social Science Survey, Peking University.

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Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

(in millions of RMB, unless otherwise specified)	2021	2020	Changes +/-%
Operating Results			
Net operating income(1)	331,407	290,279	14.17
Profit before tax	148,173	122,440	21.02
Net profit attributable to shareholders of the Bank	119,922	97,342	23.20
Per Share (RMB)			
Basic earnings attributable to ordinary shareholders of the Bank(2)	4.61	3.79	21.64
Diluted earnings attributable to ordinary shareholders of the Bank	4.61	3.79	21.64

(in millions of RMB, unless otherwise specified)	31 December 2021	31 December 2020	Changes +/-%
Volume Indicators			
Total assets	9,249,021	8,361,448	10.62
of which: total loans and advances to customers(3)	5,570,034	5,029,128	10.76
Total liabilities	8,383,340	7,631,094	9.86
of which: total deposits from customers(3)	6,347,078	5,628,336	12.77
Total equity attributable to shareholders of the Bank	858,745	723,750	18.65
Net assets per share attributable to ordinary shareholders of the Bank (RMB)(2)	29.01	25.36	14.39

Notes:

(1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of joint ventures and associates.

(2) The Company issued non-cumulative preference shares in 2017, and issued perpetual bonds in July 2020 and December 2021, all of which were classified as other equity instruments. In addition, the Company paid dividends on the preference shares and interests on perpetual bonds in 2021. Therefore, when calculating the indicators such as basic earnings per share attributable to ordinary shareholders, return on average equity attributable to ordinary shareholders and net assets per share attributable to ordinary shareholders, dividends on the preference shares and interests on perpetual bonds were deducted from "net profit attributable to shareholders of the Bank", while the preference shares and perpetual bonds were deducted from both the "average equity" and the "net assets".

(3) In accordance with the "Notice on the Revision and Issuance of the Format of the Financial Statements of the Financial Enterprise for 2018" (《關於修訂印發2018年度金融企業財務報表格式的通知》) issued by the Ministry of Finance, the interest on financial instruments accrued based on the effective interest rate method shall be included in the balance of the relevant financial instruments, and shall be reflected in the relevant items of the financial reports, and the "interest receivable" or "interest payable" item shall no longer be listed separately. The balance of "interest receivable" or "interest payable" listed in the "other assets" or "other liabilities" item is only the interest receivable or payable where the relevant financial instruments have expired but the interest has not yet been received or paid at the balance sheet date. Since the 2018 annual report, the Group has adjusted the financial statements and its accompanying notes in accordance with the above requirements. Unless otherwise stated, the balances of the relevant items herein and set out below do not include the above interest on financial instruments accrued based on the effective interest method.

2.2 Financial Ratios

(%)	2021	2020	Changes
Profitability indicators			
Return on average assets attributable to shareholders of the Bank	1.36	1.23	Increased by 0.13 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	16.96	15.73	Increased by 1.23 percentage points
Net interest spread(1)	2.39	2.40	Decreased by 0.01 percentage point
Net interest margin(2)	2.48	2.49	Decreased by 0.01 percentage point
As percentage of net operating income			
– Net interest income	61.53	63.74	Decreased by 2.21 percentage points
– Net non-interest income	38.47	36.26	Increased by 2.21 percentage points
Cost-to-income ratio(3)	33.11	33.33	Decreased by 0.22 percentage point

(%)	31 December 2021	31 December 2020	Changes over 2020 year-end
Capital adequacy indicators under the Advanced Measurement Approach(4)			
Core Tier 1 capital adequacy ratio	12.66	12.29	Increased by 0.37 percentage point
Tier 1 capital adequacy ratio	14.94	13.98	Increased by 0.96 percentage point
Capital adequacy ratio	17.48	16.54	Increased by 0.94 percentage point
Equity to total assets	9.36	8.73	Increased by 0.63 percentage point
Asset quality indicators			
Non-performing loan ratio	0.91	1.07	Decreased by 0.16 percentage point
Allowance coverage ratio(5)	483.87	437.68	Increased by 46.19 percentage points
Allowance-to-loan ratio(6)	4.42	4.67	Decreased by 0.25 percentage point

	2021	2020	Changes
Credit cost ratio(7)	0.70	0.98	Decreased by 0.28 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

(2) Net interest margin = net interest income/average balance of total interest-earning assets.

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges, provisions for insurance claims and the depreciation charges on fixed assets under operating lease and investment properties and others.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 11.17%, 13.19% and 14.71% respectively.

(5) Allowance coverage ratio = allowances for impairment losses/balance of non-performing loans.

(6) Allowance-to-loan ratio = allowances for impairment losses/total loans and advances to customers.

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers × 100%, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

2.3 Five-year Financial Summary

(in millions of RMB)	2021	2020	2019	2018	2017
Results for the year					
Net operating income	**331,407**	290,279	269,788	248,444	221,037
Operating expenses	**116,879**	102,814	91,497	81,110	70,431
Impairment losses	**66,355**	65,025	61,159	60,837	59,926
Profit before tax	**148,173**	122,440	117,132	106,497	90,680
Net profit attributable to shareholders of the Bank	**119,922**	97,342	92,867	80,560	70,150
(RMB)					
Per Share					
Dividend (tax inclusive)	**1.522**	1.253	1.20	0.94	0.84
Basic earnings attributable to ordinary shareholders of the Bank	**4.61**	3.79	3.62	3.13	2.78
Diluted earnings attributable to ordinary shareholders of the Bank	**4.61**	3.79	3.62	3.13	2.78
Year-end net assets attributable to ordinary shareholders of the Bank	**29.01**	25.36	22.89	20.07	17.69
(in millions of RMB)					
Year end					
Share capital	**25,220**	25,220	25,220	25,220	25,220
Total shareholders' equity	**865,681**	730,354	617,707	543,605	483,392
Total liabilities	**8,383,340**	7,631,094	6,799,533	6,202,124	5,814,246
Deposits from customers	**6,347,078**	5,628,336	4,844,422	4,400,674	4,064,345
Total assets	**9,249,021**	8,361,448	7,417,240	6,745,729	6,297,638
Total loans and advances to customers	**5,570,034**	5,029,128	4,490,650	3,933,034	3,565,044
(%)					
Key Financial Ratios					
Return on average assets attributable to shareholders of the Bank	**1.36**	1.23	1.31	1.24	1.15
Return on average equity attributable to ordinary shareholders of the Bank	**16.96**	15.73	16.84	16.57	16.54
Cost-to-income ratio	**33.11**	33.33	32.08	31.04	30.21
Non-performing loan ratio	**0.91**	1.07	1.16	1.36	1.61
Credit cost ratio	**0.70**	0.98	1.29	1.58	1.76
Core Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**12.66**	12.29	11.95	11.78	12.06
Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**14.94**	13.98	12.69	12.62	13.02
Capital adequacy ratio under the Advanced Measurement Approach	**17.48**	16.54	15.54	15.68	15.48

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Management Discussion and Analysis

3.1 Analysis of Overall Operation

In 2021, the Group adhered to the concept of dynamic and balanced development of "Quality, Efficiency and Scale", and continued to implement its strategic direction of "Light-model Bank" and the strategic positioning of "One Body with Two Wings" by carrying out various businesses in a sound manner. Both the net operating income and profit grew relatively rapidly, structure of assets and liabilities continued to be optimised, and asset quality was further improved.

During the reporting period, the Group realised the net operating income of RMB331.407 billion, representing a year-on-year increase of 14.17%; realised a net profit attributable to shareholders of the Bank of RMB119.922 billion, representing a year-on-year increase of 23.20%; realised the net interest income of RMB203.919 billion, representing a year-on-year increase of 10.21%; and realised the net non-interest income of RMB127.488 billion, representing a year-on-year increase of 21.13%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.36% and 16.96%, up by 0.13 percentage point and 1.23 percentage points year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB9,249.021 billion, representing an increase of 10.62% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB5,570.034 billion, representing an increase of 10.76% as compared with the end of the previous year. Total liabilities amounted to RMB8,383.340 billion, representing an increase of 9.86% as compared with the end of the previous year. Total deposits from customers amounted to RMB6,347.078 billion, representing an increase of 12.77% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a total of non-performing loans of RMB50.862 billion, representing an decrease of RMB2.753 billion as compared with the end of the previous year. The non-performing loan ratio was 0.91%, down by 0.16 percentage point as compared with the end of the previous year. The allowance coverage ratio was 483.87%, representing an increase of 46.19 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.42%, representing a decrease of 0.25 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB148.173 billion, representing a year-on year increase of 21.02%. The effective income tax rate was 18.45%, representing a year-on-year decrease of 1.54 percentage points. The following table sets out the changes in major income/loss items of the Group during the reporting period.

(in millions of RMB)	**2021**	2020	Changes
Net interest income	**203,919**	185,031	18,888
Net fee and commission income	**94,447**	79,486	14,961
Other net income	**29,011**	22,881	6,130
Operating expenses	**(116,879)**	(102,814)	(14,065)
Expected credit losses	**(65,962)**	(64,871)	(1,091)
Impairment losses on other assets	**(393)**	(154)	(239)
Share of profits of joint ventures and associates	**4,030**	2,881	1,149
Profit before tax	**148,173**	122,440	25,733
Income tax	**(27,339)**	(24,481)	(2,858)
Net profit	**120,834**	97,959	22,875
Net profit attributable to shareholders of the Bank	**119,922**	97,342	22,580

3.2.2 Net operating income

During the reporting period, the Group realised the net operating income of RMB331.407 billion, representing a year-on-year increase of 14.17 %. The net interest income accounted for 61.53% of the net operating income, and the net non-interest income accounted for 38.47% of the net operating income, representing a year-on-year increase of 2.21 percentage points.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB327.056 billion, representing a year-on-year increase of 6.39%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the biggest component of the interest income of the Group.

Interest income from loans and advances to customers

In 2021, the interest income from loans and advances to customers of the Group was RMB250.662 billion, representing a year-on-year increase of 6.17%.

The following table sets forth the average balance (daily average balance, same as below), interest income and average yield of each component of loans and advances to customers of the Group for the periods indicated.

	2021			2020		
(in millions of RMB, except for percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	2,095,664	80,575	3.84	2,024,891	80,575	3.98
Retail loans	2,869,358	159,124	5.55	2,506,828	147,704	5.89
Discounted bills	399,173	10,963	2.75	291,660	7,825	2.68
Loans and advances to customers	5,364,195	250,662	4.67	4,823,379	236,104	4.89

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Company, the average balance of short-term loans was RMB1,940.917 billion with the interest income amounting to RMB100.850 billion, and the average yield reached 5.20%; the average balance of medium-to-long term loans was RMB3,423.278 billion with the interest income amounting to RMB149.812 billion, and the average yield reached 4.38%. The average yield of short-term loans was higher than that of medium-to-long term loans, which was mainly attributable to the higher yield of credit card loans and micro-finance loans in short-term loans and the higher proportion of these loans.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB56.059 billion, representing a year-on-year increase of 8.13%. The average yield of investments was 3.35%, representing a year-on-year decrease of 7 basis points, which was mainly attributable to the impact of the falling market interest rates.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB12.543 billion, representing a year-on-year increase of 4.50%, and the average yield of balances and placements with banks and other financial institutions was 1.93%, representing a year-on-year decrease of 2 basis points, which was primarily attributable to the year-on-year falling yield of balances and placements with banks and other financial institutions denominated in foreign currencies.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB123.137 billion, representing a year-on-year increase of 0.61%.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB84.332 billion, representing a year-on-year increase of 1.30%. Under the circumstance where the deposits from customers grew rapidly, the Group continued to optimise its structure of deposits and imposed effective control on pricing, which contributed to a substantial decrease in the cost ratio of deposit.

The following table sets forth the average balances, interest expenses and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

	2021			2020		
(in millions of RMB, except for percentages)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits from corporate customers						
Demand	2,396,802	21,873	0.91	1,964,687	17,052	0.87
Time	1,485,640	39,854	2.68	1,496,594	42,746	2.86
Subtotal	3,882,442	61,727	1.59	3,461,281	59,798	1.73
Deposits from retail customers						
Demand	1,453,378	5,110	0.35	1,261,244	4,377	0.35
Time	637,653	17,495	2.74	654,057	19,077	2.92
Subtotal	2,091,031	22,605	1.08	1,915,301	23,454	1.22
Total	5,973,473	84,332	1.41	5,376,582	83,252	1.55

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB18.083 billion, representing a year-on-year increase of 16.81%, which was primarily due to the increase in the deposits and placements from banks and other financial institutions.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB12.532 billion, representing a year-on-year decrease of 14.47%, which was mainly due to the decrease in both daily average scale and cost ratio of interbank certificates of deposits issued.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB203.919 billion, representing a year-on-year increase of 10.21%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities of the Group for the periods indicated.

	2021			2020		
(in millions of RMB, except for percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	5,364,195	250,662	4.67	4,823,379	236,104	4.89
Investments	1,672,594	56,059	3.35	1,513,824	51,843	3.42
Balances with the central bank	533,863	7,792	1.46	490,092	7,475	1.53
Balances and placements with banks and other financial institutions	649,046	12,543	1.93	615,316	12,003	1.95
Total	8,219,698	327,056	3.98	7,442,611	307,425	4.13

(in millions of RMB, except for percentages)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	5,973,473	84,332	1.41	5,376,582	83,252	1.55
Deposits and placements from banks and other financial institutions	1,076,618	18,083	1.68	941,182	15,481	1.64
Debt securities issued	410,711	12,532	3.05	453,885	14,652	3.23
Borrowings from the central bank	276,773	7,635	2.76	282,976	8,413	2.97
Lease liabilities	13,977	555	3.97	14,582	596	4.09
Total	7,751,552	123,137	1.59	7,069,207	122,394	1.73
Net interest income	/	203,919	/	/	185,031	/
Net interest spread	/	/	2.39	/	/	2.40
Net interest margin	/	/	2.48	/	/	2.49

During the reporting period, the average yield of our interest-earning assets of the Group was 3.98%, representing a year-on-year decrease of 15 basis points; the average cost ratio of our interest-bearing liabilities was 1.59%, representing a year-on-year decrease of 14 basis points; the net interest spread and the net interest margin were 2.39% and 2.48%, respectively, both representing a year-on-year decrease of 1 basis point.

The following table sets forth the breakdown of changes in interest income and interest expenses due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rates were measured by changes in the average interest rates; the changes in interest income and interest expenses due to changes in both volumes and interest rates have been included in the amount of changes in interest income and interest expenses due to changes in volume.

	2021 compared to 2020		
	Increase (decrease) due to		Net increase
(in millions of RMB)	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	25,169	(10,611)	14,558
Investments	5,276	(1,060)	4,216
Balances with the central bank	660	(343)	317
Balances and placements with banks and other financial institutions	663	(123)	540
Changes in interest income	**31,768**	**(12,137)**	**19,631**
Interest-bearing liabilities			
Deposits from customers	8,607	(7,527)	1,080
Deposits and placements from banks and other financial institutions	2,226	376	2,602
Debt securities issued	(1,303)	(817)	(2,120)
Borrowings from the central bank	(184)	(594)	(778)
Lease liabilities	(24)	(17)	(41)
Changes in interest expense	**9,322**	**(8,579)**	**743**
Changes in net interest income	**22,446**	**(3,558)**	**18,888**

The following table sets out the average balances, interest income/interest expenses and annualised average yields/cost ratios of assets and liabilities of the Group for the periods indicated.

	October to December 2021			July to September 2021		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	5,549,219	64,921	4.64	5,400,330	63,204	4.64
Investments	1,777,841	14,902	3.33	1,702,824	14,357	3.35
Balances with the central bank	545,610	1,979	1.44	518,982	1,919	1.47
Balances and placements with banks and other financial institutions	639,506	3,348	2.08	631,111	3,183	2.00
Total	**8,512,176**	**85,150**	**3.97**	**8,253,247**	**82,663**	**3.97**

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	6,209,004	22,560	1.44	5,945,087	21,389	1.43
Deposits and placements from banks and other financial institutions	1,044,468	4,396	1.67	1,101,292	4,693	1.69
Debt securities issued	437,500	3,302	2.99	426,539	3,183	2.96
Borrowings from the central bank	217,919	1,474	2.68	282,004	1,974	2.78
Lease liabilities	13,932	137	3.90	13,249	127	3.80
Total	**7,922,823**	**31,869**	**1.60**	**7,768,171**	**31,366**	**1.60**
Net interest income	/	**53,281**	/	/	**51,297**	/
Net interest spread	/	/	**2.37**	/	/	**2.37**
Net interest margin	/	/	**2.48**	/	/	**2.47**

In the fourth quarter of 2021, the net interest margin of the Group was 2.48%, up by 1 basis point; and its net interest spread was 2.37%, substantially the same, as compared to the previous quarter.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB127.488 billion, representing a year-on-year increase of 21.13%. The components are as follows:

Net fee and commission income amounted to RMB94.447 billion, representing a year-on-year increase of 18.82%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB35.841 billion, representing a year-on-year increase of 29.00%; fee and commission income from asset management amounted to RMB10.856 billion, representing a year-on-year increase of 57.52%; income from bank card fees amounted to RMB19.377 billion, representing a year-on-year decrease of 0.89%; income from settlement and clearing fees amounted to RMB13.902 billion, representing a year-on-year increase of 9.89%; the commissions from credit commitment and loan business amounted to RMB6.321 billion, representing a year-on-year increase of 2.10%; commission income from custody businesses amounted to RMB5.433 billion, representing a year-on-year increase of 27.75%; and income from others amounted to RMB10.588 billion, representing a year-on-year increase of 13.08%. For analysis of the reasons for changes in fee and commission income, please refer to "Net non-interest income" in 3.9 under this chapter.

Other net non-interest income amounted to RMB33.041 billion, representing a year-on-year increase of 28.25%, of which, net investment income amounted to RMB17.822 billion, representing a year-on-year increase of 9.47%, mainly due to the increase in dividend of investments in non-monetary funds; net profit from fair value change amounted to RMB92 million, representing a year-on-year increase of RMB1.752 billion, mainly due to the increase in profit of fair value change of investments in non-monetary funds; the net exchange gain amounted to RMB3.351 billion, representing a year-on-year increase of 52.18%, mainly due to the increase in exchange gains arising from the foreign currency-denominated monetary items; and other income amounted to RMB7.746 billion, representing a year-on-year increase of 27.86%, mainly due to the increase in income generated from operating leasing business of CMB Financial Leasing.

In terms of business segments, the net non-interest income from retail finance amounted to RMB62.173 billion, representing a year-on-year increase of 17.43% and accounting for 48.77% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB45.750 billion, representing a year-on-year increase of 15.12% and accounting for 35.89% of the Group's net non-interest income; the net non-interest income from other businesses amounted to RMB19.565 billion, representing a year-on-year increase of 55.74% and accounting for 15.34% of the Group's net non-interest income.

(in millions of RMB)	2021	2020	Changes +/-%
Fee and commission income[note]	102,318	86,684	18.04
Fees and commissions from wealth management	35,841	27,783	29.00
Fees and commissions from asset management	10,856	6,892	57.52
Bank card fees	19,377	19,551	–0.89
Settlement and clearing fees	13,902	12,651	9.89
Commissions from credit commitment and loan business	6,321	6,191	2.10
Commissions from custody businesses	5,433	4,253	27.75
Others	10,588	9,363	13.08
Fee and commission expense	(7,871)	(7,198)	9.35
Net fee and commission income	94,447	79,486	18.82
Other net non-interest income	33,041	25,762	28.25
Other net income	29,011	22,881	26.79
Net investment income	17,822	16,281	9.47
Net profit/(loss)from fair value change	92	(1,660)	N/A
Net exchange gain	3,351	2,202	52.18
Other income	7,746	6,058	27.86
Share of profits of joint ventures and associates	4,030	2,881	39.88
Total net non-interest income	127,488	105,248	21.13

Note: Since the Annual Report 2021, the Group has adjusted the breakdown of fee and commission income. Among which, fees and commissions from wealth management include income from agency distribution of funds, income from agency distribution of insurance policies, income from agency distribution of trust schemes, income from agency sales of wealth management services, income from securities brokerage and income from agency distribution of precious metals. Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of our subsidiaries, China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM. Commissions from custody businesses include income from basic asset custody services and value-added services. Others mainly include income from underwriting of debt and equity, income from service fees from securitisation of credit assets, income from consultancy and advisory services and income from other intermediate businesses.

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB116.879 billion, representing a year-on-year increase of 13.68%, among which staff costs amounted to RMB66.028 billion, representing a year-on-year increase of 15.76%. Other operating expenses[3] amounted to RMB50.851 billion, represent a year-on-year increase of 11.09%. The Group adhered to technology-enabled strategy, continuously increased its investments in Fintech, constantly reinforced its basic infrastructures, and dramatically forged ahead with the development of its digital operation model and capabilities. At the same time, the Group focused on refined cost management. On one hand, the Group continued to promote technology innovation to save traditional costs while strengthening the monitoring for input and output to continuously improve its resources efficiency; on the other hand, the Group took the initiatives to optimise costs and expenses to reduce traditional fixed expenses including office leasing and operating expenses, which refined the allocation of expenses and resources. During the reporting period, the Group's cost-to-income ratio was 33.11%, representing a decrease of 0.22 percentage point as compared with the previous year.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

(in millions of RMB)	2021	2020
Staff costs	66,028	57,040
Depreciation, amortisation and rental expenses	14,519	13,611
Other general and administrative expenses	33,249	29,389
Allowances for insurance claims	311	296
Taxes and surcharges	2,772	2,478
Total operating expenses	116,879	102,814

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB65.962 billion, representing a year-on-year increase of 1.68%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	2021	2020
Loans and advances to customers	37,020	46,882
Financial investments	15,848	15,367
Amounts due from banks and other financial institutions	6,110	307
Expected credit losses relating to financial guarantees and loan commitments	5,639	2,147
Other	1,345	168
Total expected credit losses	65,962	64,871

The Group adopted the Financial Instruments Standards to make adequate allowances for credit risk losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness. During the reporting period, expected credit losses of loans and advances to customers of the Group were RMB37.020 billion. The expected credit losses of other assets other than loans and advances to customers amounted to RMB28.942 billion. The expected credit losses of certain assets increased year-on-year, which was mainly because the Group, based on its judgments over the overall risk situation after taking into consideration the global pandemic and the uncertain and unstable economic situation at home and abroad, had made forward-looking and prudent provisions for the expected credit losses on businesses including inter-bank asset transactions and off-balance sheet contingent business to corporate customers to enhance its ability to withstand risks. In addition, during the reporting period, the Group had made allowances for credit losses of the back-to-balance sheet wealth management assets based on their risk profiles. For details of the back-to-balance sheet arrangement of wealth management assets, please refer to "The formation and disposal of non-performing assets" in 3.9 under this chapter.

[3] Other operating expenses include depreciation, amortisation, leases, taxes and surcharges, allowances for insurance claims and various other administrative expenses.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB9,249.021 billion, up by 10.62% from the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and bond investments of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group. To maintain the figures comparable, the financial instruments in section "3.3.1 Assets" were still analysed on the statistical calibre excluding interest receivable, except for the following table, in which interest receivable calculated using the effective interest method was included.

	31 December 2021		31 December 2020	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Total loans and advances to customers	5,580,885	60.34	5,038,883	60.26
Allowances for impairment losses on loans[1]	(245,494)	(2.65)	(234,522)	(2.80)
Net loans and advances to customers	5,335,391	57.69	4,804,361	57.46
Investment securities and other financial assets	2,224,041	24.05	2,130,889	25.48
Cash, precious metals and balances with the central bank	571,847	6.18	546,416	6.53
Inter-bank transactions[2]	799,372	8.64	616,516	7.37
Goodwill	9,954	0.11	9,954	0.12
Other assets[3]	308,416	3.33	253,312	3.04
Total assets	9,249,021	100.00	8,361,448	100.00

Notes:

(1) The "allowances for impairment losses on loans" as at the end of the reporting period include the allowances for impairment losses of the principal and interest of the loans and advances to customers measured at amortised cost. The allowances for impairment losses of RMB1.581 billion were not deducted from the carrying values of the loans and advances to customers measured at fair value through other comprehensive income. For details, please refer to Note 22(a) to the financial statements.

(2) Including deposits and placements with banks and other financial institutions and amounts purchased under resale agreements.

(3) Including fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB5,570.034 billion, representing an increase of 10.76% as compared with the end of the previous year; total loans and advances to customers accounted for 60.22% of the total assets, representing an increase of 0.07 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to 3.4 "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth the components of investment securities and other financial assets of the Group by line items.

	31 December 2021		31 December 2020	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Derivative financial assets	23,390	1.06	47,272	2.24
Financial investments at fair value through profit or loss	348,123	15.82	495,723	23.50
– Bond investments	176,764	8.03	177,760	8.43
– Non-standardised credit asset investments	–	–	175,303	8.31
– Others(note)	171,359	7.79	142,660	6.76
Debt investments at amortised cost	1,169,652	53.16	1,034,269	49.02
– Bond investments	1,078,888	49.03	911,409	43.20
– Non-standardised credit asset investments	129,851	5.90	148,386	7.03
– Others	620	0.03	592	0.03
– Less: allowances for impairment losses	(39,707)	(1.80)	(26,118)	(1.24)
Debt investments at fair value through other comprehensive income	628,355	28.56	510,307	24.19
Equity investments designated at fair value through other comprehensive income	6,995	0.32	7,139	0.34
Investments in joint ventures and associates	23,654	1.08	14,922	0.71
Total investment securities and other financial assets	2,200,169	100.00	2,109,632	100.00

Note: Including equity investments, investments in funds, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 60(f) to the financial statements.

	31 December 2021			31 December 2020		
		Fair value			Fair value	
(in millions of RMB)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	2,641,846	11,877	(11,991)	3,303,805	12,568	(12,389)
Currency derivatives	1,186,030	10,041	(14,054)	1,266,675	33,166	(36,221)
Other derivatives	139,931	1,472	(1,237)	145,190	1,538	(1,451)
Total	3,967,807	23,390	(27,282)	4,715,670	47,272	(50,061)

The above table shows the notional value and fair value of the Group's derivatives by their remaining maturity on each balance sheet date. The notional value refers only to the transaction volumes that have not yet been due or completed on the balance sheet date, and does not represent the value at risk.

During the reporting period, RMB exchange rate experienced bilateral fluctuations with a slight appreciation against US Dollar. Being an inter-bank general market maker in the foreign exchange market, the Group was committed to improving the pricing level of foreign exchange derivative transactions, proactively providing liquidity to the market. At the same time, by continuously leveraging its expertise in derivative transactions in the financial market, the Group actively popularised and promoted the concepts and methods of neutral management of exchange rate risk to corporate customers with incomes and expenses denominated in foreign currencies and helped customers use derivative instruments to manage various market risks, as a result of which the Group achieved continuous growth in the number of customers served and the transaction volumes.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss amounted to RMB348.123 billion, with bond and fund investments etc. being the major categories. The investments were made by the Group through an analysis of factors such as the macroeconomic, monetary and fiscal policies, the industrial policies and the market supply and demand, so as to obtain investment income by capturing trading opportunities in the market. During the reporting period, the funds remained stable and the yield of the bond market decreased with fluctuations. The Group proactively increased its positions in government bonds issued by the PRC government in early 2021 and held until the end of the year, resulting in satisfactory returns. For details, please refer to Note 23(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments measured at amortised cost amounted to RMB1,169.652 billion. Among them, the bond investments were made mainly in the bonds issued by the PRC government and policy banks. This category of investments was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of bank accounts and liquidity management, while taking into account the benefits and risks. For details, please refer to Note 23(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income amounted to RMB628.355 billion, with interest rate bonds such as government bonds and policy bank bonds and medium-to-high rating quality credit bonds being the major categories. This category of investments was made by the Group through an analysis of the bond market, so as to obtain investment income by capturing investment and allocation opportunities in the market. For details, please refer to Note 23(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB6.995 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 23(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	31 December 2021	31 December 2020
Official authorities	1,205,718	943,029
Policy banks	390,387	347,814
Commercial banks and other financial institutions	168,483	167,553
Others	119,419	141,080
Total Bond investments	1,884,007	1,599,476

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the Central Bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the Group's investments in joint ventures and associates amounted to RMB23.654 billion, up by 58.52% from the end of the previous year, which was mainly attributable to the increase in the investment of Taizhou Bank Co., Ltd. during this period and it was converted to be accounted as investments in associates, and the increase in profits of MUCFC, a joint venture of the Company. As at the end of the reporting period, the balance of allowances for impairment losses on investments in joint ventures and associates of the Group was zero. For details, please refer to Notes 25 and 26 to the financial statements.

3.3.1.3 Goodwill

In compliance with the International Financial Reporting Standards, at the end of the reporting period, the Group conducted an impairment test on the goodwill arising from the acquisition of CMB Wing Lung Bank, China Merchants Fund and other companies and determined that provision for impairment was not necessary for the reporting period. As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB8,383.340 billion, representing an increase of 9.86% as compared with the end of the previous year, which was primarily attributable to the rapid growth in deposits from customers.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group. To maintain the figures comparable, the financial instruments in section "3.3.2 Liabilities" were still analysed on the statistical calibre excluding interest payable, except for the following table, in which interest payable calculated using the effective interest method was included.

(in millions of RMB, except for percentages)	31 December 2021 Amount	31 December 2021 Percentage of the total (%)	31 December 2020 Amount	31 December 2020 Percentage of the total (%)
Deposits from customers	6,385,154	76.16	5,664,135	74.22
Inter-bank transactions[(1)]	1,081,328	12.90	1,009,846	13.23
Borrowings from the central bank	159,987	1.91	331,622	4.35
Financial liabilities at fair value through profit or loss and derivative financial liabilities	91,043	1.09	110,412	1.45
Debt securities issued	446,645	5.33	346,141	4.54
Others[(2)]	219,183	2.61	168,938	2.21
Total liabilities	8,383,340	100.00	7,631,094	100.00

Notes:

(1) Including deposits and placements from banks and other financial institutions and amounts sold under repurchase agreements.

(2) Including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB6,347.078 billion, representing an increase of 12.77% as compared with the end of the previous year. Deposits from customers, accounting for 75.71% of the total liabilities of the Group, were the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	31 December 2021		31 December 2020	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Corporate customer deposits				
Demand	2,652,817	41.80	2,306,134	40.98
Time	1,406,107	22.15	1,289,556	22.91
Subtotal	4,058,924	63.95	3,595,690	63.89
Deposits from retail customers				
Demand	1,557,861	24.54	1,400,520	24.88
Time	730,293	11.51	632,126	11.23
Subtotal	2,288,154	36.05	2,032,646	36.11
Total deposits from customers	6,347,078	100.00	5,628,336	100.00

In 2021, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 64.45%, representing an increase of 4.45 percentage points as compared with the previous year. Of these, the daily average balance of corporate demand deposits accounted for 61.73% of that of the corporate deposits, representing an increase of 4.97 percentage points as compared with the previous year; the daily average balance of retail demand deposits accounted for 69.51% of that of the retail deposits, representing an increase of 3.66 percentage points as compared with the previous year.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB858.745 billion, representing an increase of 18.65% as compared with the end of the previous year, among which retained profits amounted to RMB428.592 billion, representing an increase of 15.75% as compared with the end of the previous year; investment revaluation reserve amounted to RMB15.047 billion, representing an increase of 83.34% as compared with the end of the previous year, mainly due to the increase in the valuation of financial assets measured at fair value through other comprehensive income as compared to the end of the previous year; foreign currency translation differences amounted to RMB-2.144 billion, representing a decrease of RMB1.451 billion as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

(in millions of RMB, except for percentages)	31 December 2021 Amount	31 December 2021 Percentage of the total (%)	31 December 2020 Amount	31 December 2020 Percentage of the total (%)
Normal	5,472,563	98.25	4,934,797	98.12
Special mention	46,609	0.84	40,716	0.81
Substandard	17,490	0.31	14,760	0.29
Doubtful	20,755	0.37	22,000	0.44
Loss	12,617	0.23	16,855	0.34
Total loans and advances to customers	5,570,034	100.00	5,029,128	100.00
Non-performing loans	50,862	0.91	53,615	1.07

Note: Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans.

During the reporting period, the quality of assets of the Group was generally stable. As at the end of the reporting period, both the balance and percentage of the Group's non-performing loans decreased from the end of the previous year. Of these, the balance of the non-performing loans amounted to RMB50.862 billion, representing a decrease of RMB2.753 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.91%, a decrease of 0.16 percentage point as compared with the end of the previous year. The balance of the special-mentioned loans amounted to RMB46.609 billion, representing an increase of RMB5.893 billion as compared with the end of the previous year; the percentage of special-mentioned loans was 0.84%, representing an increase of 0.03 percentage point as compared with the end of the previous year. The balance of the special-mentioned loans and the percentage of special-mentioned loans both increased were mainly because the timing of recognising credit card loans as overdue loans was set earlier by the Company from the next billing date to the repayment deadline for this bill, and the Company further adjusted all its loans granted to retail borrowers with overdue or other risk indicators inside and outside the Bank to special-mentioned loans in strict accordance with regulatory requirements.

3.4.2 Distribution of loans and non-performing loans by product type

(in millions of RMB, except for percentages)	31 December 2021 Loan and advance balance	31 December 2021 Percentage of the total (%)	31 December 2021 Non-performing loan	31 December 2021 Non-Performing loan ratio (%)(1)	31 December 2020 Loan and advance balance	31 December 2020 Percentage of the total (%)	31 December 2020 Non-performing loan	31 December 2020 Non-Performing loan ratio (%)(1)
Corporate loans	2,150,938	38.62	26,732	1.24	2,017,232	40.11	31,858	1.58
Working capital loans	729,999	13.11	16,755	2.30	744,220	14.80	22,333	3.00
Fixed asset loans	821,259	14.74	7,267	0.88	702,892	13.98	5,412	0.77
Trade finance	257,428	4.63	397	0.15	212,786	4.23	1,010	0.47
Others(2)	342,252	6.14	2,313	0.68	357,334	7.10	3,103	0.87
Discounted bills(3)	431,305	7.74	–	–	330,736	6.58	–	–
Retail loans	2,987,791	53.64	24,130	0.81	2,681,160	53.31	21,757	0.81
Micro-finance loans	561,871	10.09	3,500	0.62	475,728	9.46	3,026	0.64
Residential mortgage loans	1,374,406	24.68	3,821	0.28	1,274,815	25.35	3,759	0.29
Credit card loans	840,371	15.09	13,846	1.65	746,687	14.85	12,424	1.66
Others(4)	211,143	3.78	2,963	1.40	183,930	3.65	2,548	1.39
Total loans and advances to customers	5,570,034	100.00	50,862	0.91	5,029,128	100.00	53,615	1.07

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Company will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) Consists primarily of general consumer loans, commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to corporate loans, the Group steadily advanced the development of business such as project financing, supply chain financing and trade financing, maintaining the general stability of asset quality. As at the end of the reporting period, the percentage of corporate loans was 38.62%, representing a decrease of 1.49 percentage points as compared with the end of the previous year, mainly due to the decrease in the proportion of working capital loans. The non-performing corporate loans amounted to RMB26.732 billion, down by RMB5.126 billion as compared with the end of the previous year; and the non-performing ratio of corporate loans was 1.24%, down by 0.34 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group actively improved the quality and efficiency of financial services for small- and micro-sized enterprises to ensure credit support for them; strictly implemented the national and regional supervision policies on mortgage loan business, focused on meeting the housing mortgage needs of customers with rigid housing demand and upgraders; strengthened the management of consumer loans, strictly abided by the bottom line of loan usage, and focused on supporting the legitimate comprehensive consumption and upgrading consumption of individuals or families; and prudently promoted the development of the credit card business and highlighted value-based customer operations. As at the end of the reporting period, the proportion of retail loans was 53.64%, representing an increase of 0.33 percentage point as compared with the end of the previous year; the balance of non-performing loans amounted to RMB24.130 billion, up by RMB2.373 billion as compared with the end of the previous year, mainly due to the adjustment to timing of recognising the Company's credit card loans as overdue loans and downgrading adverse effect of the Company's retail loans with more than 60 days overdue; and the non-performing loan ratio was 0.81%, which was flat as compared with the end of the previous year. Among which, the balance of non-performing credit card loans amounted to RMB13.846 billion, up by RMB1.422 billion as compared with the end of the previous year; and the non-performing ratio of credit card loans was 1.65%, down by 0.01 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

	31 December 2021				31 December 2020			
(in millions of RMB, except for percentages)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)[1]
Corporate loans	2,150,938	38.62	26,732	1.24	2,017,232	40.11	31,858	1.58
Transportation, storage and postal services	445,603	8.00	2,945	0.66	412,424	8.20	3,489	0.85
Property development	401,704	7.21	5,655	1.41	390,792	7.77	1,190	0.30
Manufacturing	333,398	5.99	6,871	2.06	283,135	5.63	10,057	3.55
Production and supply of electric power, heat, gas and water	194,688	3.50	658	0.34	170,413	3.39	842	0.49
Leasing and commercial services	174,758	3.14	4,054	2.32	155,028	3.08	6,227	4.02
Wholesale and retail	147,272	2.64	3,726	2.53	149,775	2.98	6,361	4.25
Finance	95,333	1.71	90	0.09	114,294	2.27	239	0.21
Construction	120,934	2.17	569	0.47	103,619	2.06	890	0.86
Information transmission, software and IT service	65,994	1.18	235	0.36	64,135	1.28	824	1.28
Water conservancy, environment and public utilities	65,248	1.17	175	0.27	55,294	1.10	145	0.26
Mining	34,505	0.62	786	2.28	40,676	0.81	783	1.92
Others[2]	71,501	1.29	968	1.35	77,647	1.54	811	1.04
Discounted bills	431,305	7.74	–	–	330,736	6.58	–	–
Retail loans	2,987,791	53.64	24,130	0.81	2,681,160	53.31	21,757	0.81
Total loans and advances to customers	5,570,034	100.00	50,862	0.91	5,029,128	100.00	53,615	1.07

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

The Group adhered to the principle of "financial institutions serving the real economy", kept abreast with the development trend of national economic transformation, resolutely implemented the requirements of national policies, and invested credit resources in new growth engines, high-quality manufacturing, regional competitive industries and self-controllable industries to further accelerate the restructuring of customers and assets. At the same time, the Group closely tracked changes in internal and external situations, and strengthened risk prevention and control in key areas such as property development, local government financing platforms and industries under close surveillance. During the reporting period, the non-performing loan ratio of industries such as mining, culture, sports and entertainment, and property development increased due to the risk exposures of some small- and medium-sized companies with poor development prospects and high-debt real estate enterprises.

3.4.4 Distribution of loans and non-performing loans by region

	31 December 2021				31 December 2020			
(in millions of RMB, except for percentages)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(1)
Head Office(2)	910,281	16.35	17,862	1.96	858,197	17.06	17,325	2.02
Yangtze River Delta	1,200,571	21.55	7,436	0.62	1,037,683	20.63	7,634	0.74
Bohai Rim	719,187	12.91	4,479	0.62	633,008	12.59	6,942	1.10
Pearl River Delta and West Side of Taiwan Strait	1,007,513	18.09	6,358	0.63	882,726	17.56	6,555	0.74
North-eastern China	168,974	3.03	2,354	1.39	166,632	3.31	3,772	2.26
Central China	569,787	10.23	5,766	1.01	510,537	10.15	4,247	0.83
Western China	581,820	10.45	4,275	0.73	512,103	10.18	4,640	0.91
Overseas	94,153	1.69	218	0.23	129,020	2.57	342	0.27
Subsidiaries	317,748	5.70	2,114	0.67	299,222	5.95	2,158	0.72
Total loans and advances to customers	5,570,034	100.00	50,862	0.91	5,029,128	100.00	53,615	1.07

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Center.

During the reporting period, closely following the key directions of the State's regional planning outline, taking into account the actual situation and characteristics of the regions, and featuring differentiation, the Group made research and formulated differentiated credit policies for the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta to promote the high-quality asset allocation of branches in key regions and intensify support-oriented efforts. At the same time, on the basis of controllable risks, the branches were authorised and equipped with corresponding monitoring mechanisms to implement differentiated management and control and cautiously prevent regional systemic risks. As at the end of the reporting period, there has been an increase in the proportion of the balance of loans extended to Yangtze River Delta, Bohai Rim, Pearl River Delta and West Side of Taiwan Strait, and Western China increased. Due to the formation of non-performing loans in certain large-sized corporate customers, the non-performing loan ratio of Central China increased by 0.18 percentage point as compared with the end of the previous year, and the non-performing loan ratio of other regions decreased as compared with the end of the previous year.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	31 December 2021				31 December 2020			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non Performing loan ratio (%)(note)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-Performing loan ratio (%)(note)
Credit loans	1,977,014	35.51	19,861	1.00	1,758,502	34.97	18,725	1.06
Guaranteed loans	752,744	13.51	13,272	1.76	696,634	13.85	16,201	2.33
Collateralised loans	2,075,639	37.26	12,684	0.61	1,914,658	38.07	13,544	0.71
Pledged loans	333,332	5.98	5,045	1.51	328,598	6.53	5,145	1.57
Discounted bills	431,305	7.74	–	–	330,736	6.58	–	–
Total loans and advances to customers	5,570,034	100.00	50,862	0.91	5,029,128	100.00	53,615	1.07

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the Group's collateralised and pledged loans increased by 7.39% as compared with the end of the previous year; guaranteed loans increased by 8.05% as compared with the end of the previous year, and the credit loans increased by 12.43% as compared with the end of the previous year. The non-performing ratio of loans with all types of guarantee decreased as compared with the end of the previous year.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan balance as at 31 December 2021	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Transportation, storage and postal services	19,809	2.04	0.36
B	Finance	19,118	1.96	0.34
C	Property development	14,890	1.53	0.27
D	Transportation, storage and postal services	12,904	1.33	0.23
E	Transportation, storage and postal services	12,000	1.23	0.22
F	Transportation, storage and postal services	11,336	1.16	0.20
G	Property development	10,756	1.11	0.19
H	Production and supply of electric power, heating power, gas and water	9,000	0.92	0.16
I	Manufacturing industry	8,635	0.89	0.16
J	Transportation, storage and postal services	8,425	0.87	0.15
Total		126,873	13.04	2.28

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB19.809 billion, representing 2.04% of the Group's net capital under the Advanced Measurement Approach. The loan balance of the top ten single borrowers totalled RMB126.873 billion, representing 13.04% of the Group's net capital under the Advanced Measurement Approach, 13.68% of the Group's net capital under the Weighted Approach, and 2.28% of the Group's total loan balance, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	31 December 2021		31 December 2020	
	Loan and advance balance	Percentage of total loans (%)	Loan and advance balance	Percentage of total loans (%)
Overdue within 3 months	22,327	0.40	15,584	0.31
Overdue from 3 months up to 1 year	16,339	0.29	20,112	0.40
Overdue from 1 year up to 3 years	10,849	0.19	15,473	0.31
Overdue more than 3 years	7,911	0.14	5,399	0.10
Total overdue loans	57,426	1.02	56,568	1.12
Total loans and advances to customers	5,570,034	100.00	5,029,128	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB57.426 billion, up by RMB858 million from the end of the previous year and accounting for 1.02% of its total loans, representing a decrease of 0.10 percentage point as compared with the end of the previous year. Due to the adjustment to timing of recognising credit card loans as overdue loans, the balance of loans overdue within 3 months increased by RMB6.743 billion as compared with the end of the previous year, and its percentage of total loans increased by 0.09 percentage point as compared with the end of the previous year. Among the overdue loans, collateralised and pledged loans accounted for 28.69%; guaranteed loans accounted for 15.10%; credit loans accounted for 56.21% (the majority of which were overdue loans of credit cards). The Group adopted prudent classification criteria for overdue loans, and the ratio of its non-performing loans to the loans overdue for more than 90 days was 1.45.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	31 December 2021		31 December 2020	
	Loan balance	Percentage of total loans (%)	Loan balance	Percentage of total loans (%)
Restructured loans (note)	16,517	0.30	24,878	0.49
Of which: restructured loans overdue more than 90 days	10,406	0.19	15,169	0.30

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.30%, down by 0.19 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB654 million. After deducting the impairment allowances of RMB141 million, the net carrying value amounted to RMB513 million. The balance of repossessed financial instruments amounted to RMB1.956 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The following table sets forth the changes in the allowances for impairment losses on loans and advances of the Group.

(in millions of RMB)	2021	2020
Balance as at the end of the previous year	**234,664**	223,097
Charge/release for the period	**37,020**	46,882
Unwinding of discount on impaired loans and advances(note)	**(247)**	(186)
Recovery of loans and advances previously written off	**9,893**	8,781
Write-offs/disposal for the period	**(35,105)**	(43,734)
Foreign exchange rate movements	**(121)**	(176)
Balance as at the end of the period	**246,104**	234,664

Note: Represents the amortised cost on impaired loans as a result of the increase in their present value due to the passage of time.

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB246.104 billion, representing an increase of RMB11.440 billion as compared with the end of the previous year. The allowance coverage ratio was 483.87%, representing an increase of 46.19 percentage points as compared with the end of the previous year; and the allowance-to-loan ratio was 4.42%, representing a decrease of 0.25 percentage point as compared with the end of the previous year.

3.5 Analysis of Capital Adequacy

3.5.1 Capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 12.66%, 14.94% and 17.48% respectively, representing an increase of 0.37, 0.96 and 0.94 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	31 December 2021	31 December 2020	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach[1]			
Net core tier-1 capital	**704,337**	610,092	15.45
Net tier-1 capital	**831,380**	694,184	19.76
Net capital	**972,606**	821,290	18.42
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,037,500**	4,298,888	17.18
Of which: Credit risk weighted assets	**4,441,186**	3,731,603	19.02
Market risk weighted assets	**60,296**	75,595	-20.24
Operational risk weighted assets	**536,018**	491,690	9.02
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,563,724**	4,964,542	12.07
Core tier-1 capital adequacy ratio	**12.66%**	12.29%	Increased by 0.37 percentage point
Tier-1 capital adequacy ratio	**14.94%**	13.98%	Increased by 0.96 percentage point
Capital adequacy ratio	**17.48%**	16.54%	Increased by 0.94 percentage point
Information on leverage ratio[2]			
Balance of adjusted on-balance sheet and off-balance sheet assets	**10,394,899**	9,395,026	10.64
Leverage ratio	**8.00%**	7.39%	Increased by 0.61 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). In accordance with the requirements of the Advanced Measurement Approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and subbranches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB Europe S.A. During the parallel run period when the advanced capital measurement approaches were implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital requirement and reserve capital requirement, total amount of capital deductions and the provision for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period. 2021 is the seventh year since the implementation of the parallel run period.

(2) Since 2015, the leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by the former CBRC on 12 February 2015. The leverage ratio of the Group was 7.42%, 7.15% and 7.40% respectively as at the end of the third quarter of 2021, the end of the first half of 2021 and the end of the first quarter of 2021.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 12.15%, 14.59% and 17.23% respectively, representing an increase of 0.34, 0.97 and 0.94 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	31 December 2021	31 December 2020	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core tier-1 capital	**617,403**	532,209	16.01
Net tier-1 capital	**741,627**	613,444	20.90
Net capital	**875,859**	734,022	19.32
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**4,530,952**	3,848,927	17.72
Of which: Credit risk weighted assets	**4,002,933**	3,336,234	19.98
Market risk weighted assets	**39,049**	62,535	-37.56
Operational risk weighted assets	**488,970**	450,158	8.62
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,082,896**	4,505,299	12.82
Core tier-1 capital adequacy ratio	**12.15%**	11.81%	Increased by 0.34 percentage point
Tier-1 capital adequacy ratio	**14.59%**	13.62%	Increased by 0.97 percentage point
Capital adequacy ratio	**17.23%**	16.29%	Increased by 0.94 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.17%, 13.19% and 14.71% respectively, representing an increase of 0.49, 1.03 and 0.92 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	31 December 2021	31 December 2020	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach (note)			
Net core tier-1 capital	**704,337**	610,092	15.45
Net tier-1 capital	**831,380**	694,184	19.76
Net capital	**927,277**	787,438	17.76
Risk-weighted assets	**6,303,544**	5,710,544	10.38
Core tier-1 capital adequacy ratio	**11.17%**	10.68%	Increased by 0.49 percentage point
Tier-1 capital adequacy ratio	**13.19%**	12.16%	Increased by 1.03 percentage points
Capital adequacy ratio	**14.71%**	13.79%	Increased by 0.92 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.60%, 12.73% and 14.26% respectively, representing an increase of 0.48, 1.06 and 0.95 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	31 December 2021	31 December 2020	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core tier-1 capital	**617,403**	532,209	16.01
Net tier-1 capital	**741,627**	613,444	20.90
Net capital	**830,529**	700,171	18.62
Risk-weighted assets	**5,824,290**	5,258,694	10.76
Core tier-1 capital adequacy ratio	**10.60%**	10.12%	Increased by 0.48 percentage point
Tier-1 capital adequacy ratio	**12.73%**	11.67%	Increased by 1.06 percentage points
Capital adequacy ratio	**14.26%**	13.31%	Increased by 0.95 percentage point

3.5.2 Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the Internal Ratings-based Approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures are as follows.

(in millions of RMB)	Type of risk exposure	31 December 2021 Legal person	31 December 2021 Group
Portion covered by the IRB approach	Financial institution	1,378,969	1,378,969
	Corporate	2,127,347	2,127,347
	Retail	3,789,714	3,789,714
	Of which: Residential mortgage	1,368,280	1,368,280
	Qualified revolving retail	1,860,320	1,860,320
	Other retail	561,114	561,114
Portion not covered by the IRB approach	On-balance sheet	3,303,130	3,723,921
	Off-balance sheet	149,821	163,170
	Counterparty	13,886	14,631

3.5.3 Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital requirement. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital requirement of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital requirement of overseas branches and subsidiaries of the Company as well as the specific market risk capital requirement of the Company and its subsidiaries. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB60.296 billion, and market risk capital requirement was RMB4.824 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB2.384 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB2.440 billion.

The Group's market risk capital requirement under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period.

(in millions of RMB) No.	Items	31 December 2021 Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	547	423
2	Maximum value	823	677
3	Minimum value	370	151
4	Value at the end of the period	437	168

3.6 Results of Operating Segments

The principal business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

Items	2021		2020	
(in millions of RMB)	Profit before tax	Net operating income	Profit before tax	Net operating income
Retail finance	77,709	179,014	63,834	156,288
Wholesale finance	63,588	133,895	55,437	122,029
Other businesses	6,876	18,498	3,169	11,962
Total	148,173	331,407	122,440	290,279

During the reporting period, the profit before tax of retail finance of the Group amounted to RMB77.709 billion, up by 21.74% year-on-year, accounting for 52.44% of the profit before tax of the Group, representing a year-on-year increase of 0.31 percentage point; the net operating income amounted to RMB179.014 billion, up by 14.54% year-on-year, accounting for 54.02% of the net operating income of the Group, representing a year-on-year increase of 0.18 percentage point. During the reporting period, the cost-to-income ratio of retail finance was 33.43%, representing a year-on-year decrease of 1.22 percentage points.

For details of the Group's business and geographical segments, please refer to Note 56 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, operating leasing commitments, capital expenditure commitments, securities underwriting commitments, bonds redemption commitments, pending litigations and disputes and other contingent liabilities. Among which, the credit commitment is the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,229.694 billion. For details of the contingent liabilities and commitments, please refer to Note 58 to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Business Development Strategies

Since 2014, the Company has proposed and implemented the strategic transformation of "Light-model Bank". Since 2018, the Company has entered into the second half of its transformation into "Light-model Bank" and started to explore the 3.0 model of the digital era. In 2021, we proposed to create a 3.0 model of "business model of extensive wealth management + digital operation model + organisation model of openness and integration", achieving a good start of the "14th Five-Year Plan".

1. Prominent advantages of the business model of extensive wealth management

Firstly, the Company expanded the "vast clientele". In response to the national call for common prosperity, **the retail finance segment** gave full play to its advantages of digital customer acquisition and service, and made wealth management accessible to ordinary people. We carried out various forms of investor education activities and created a series of scenario tools catering to the needs of online traffic customers. The Company lowered the threshold for wealth management and launched "Zhao Zhao Bao (朝朝寶)", a wealth management service featured for pocket money and can be subscribed with one cent, to meet customers' demands for daily payment and value-added wealth management. As of the end of the reporting period, the number of customers subscribing "Zhao Zhao Bao" reached 15,403,000, with a position amount of RMB135.442 billion at the end of the period. Among them, the percentage of customers who purchased wealth management products for the first time in two years reached 51.70%. As at the end of the reporting period, the Company had 173 million retail customers (including debit and credit card customers), among which, the number of customers holding wealth products[4] increased by 29.68% as compared with the end of the previous year, and the number of Sunflower-level and above customers increased by 18.38% as compared with the end of the previous year. The aggregate number of CMB APP users was 170 million, and the aggregate number of CMB Life APP users was 127 million. **The wholesale finance segment** followed the transformation and upgrading of the national economy, focusing on the directions of new growth engines, green economy, high-quality track manufacturing industries, regional advantageous and characteristic industries, as well as self-controllable industries to solidly improve the quality of customer base and build ecological customer acquisition and operation capabilities around customers from core enterprises and their industrial chains and investment chains. As at the end of the reporting period, the total number of corporate customers of the Company reached 2,317,100. Among them, the number of corporate customers with a daily average deposit of more than RMB500,000 reached 229,800, representing an increase of over 15%.

Secondly, the Company built the "comprehensive platform". The retail finance segment built an open product platform and an operation platform. We initiated the "Zhaoyang Plan (招陽計劃)", built a growth platform for potential fund managers, and incubated and targeted excellent fund managers. The Bank introduced asset management institutions to settle on the "Zhao Cai Hao (招財號)" open platform through market-oriented screening, working with external partners to meet the diversified demands of customers, thereby improving their investment experience. As at the end of the reporting period, a total of 87 asset management institutions were introduced, with a total of 2,097,400 monthly active customers, providing 140 million wealth information services to 9,512,900 retail customers of the Company during the reporting period. We introduced the wealth management products of the peer banks into the retail product system. As at the end of the reporting period, a total of 8 wealth management subsidiaries of peer banks were introduced. **The wholesale finance segment** established institutional peer circles such as brokerages, funds and PE, which played an important role in enriching the sources and service methods of customers and projects. The Company built the "Zhao Ying Tong (招贏通)" interbank online service platform. As at the end of the reporting period, the "Zhao Ying Tong" platform had connected 94 asset management institutions including funds, securities companies and insurance companies, and provided customers with 4,865 third-party asset management products. During the reporting period, the trading value of the Company's third-party asset management products of our financial institution clients on the "Zhao Ying Tong" platform reached RMB634.269 billion. **In terms of risk management,** we strengthened the governance of the platform ecology. Facing the multi-level and complexity of risks under the extensive wealth management model, we created a "six all" risk management system featuring "all clients, all assets, all risks, all institutions, all processes and all elements", strictly controlled the access of products and cooperative institutions, and implemented the whole-process management from access to exit. We unified the risk management framework for on-balance and off-balance sheet businesses and enhanced the risk exposure management for a single customer. The Company strengthened the division of labor and cooperation among the three lines of defense against risks and jointly fulfilled the duties of "customer value guardian".

[4] Refers to customers holding wealth products (including wealth management, mutual funds, private equity funds, insurance policies, precious metals, large-denomination certificates of deposit and other products) at the end of the reporting period.

Thirdly, the Company built the "diverse ecology". Through business integration, we realised the "flywheel effect" of mutual promotion between business lines and business units to create rich ecological scenarios for customers. **In terms of retail "One Body" flywheel**, the Company thoroughly promoted the integration of debit card and credit card in respect of customer acquisition and operation. Among the credit card customers, those who also held debit cards of the Company accounted for 62.61%, representing an increase of 1.91 percentage points as compared with the end of the previous year. **In terms of "One Body with Two Wings (一體兩翼)" flywheel**, the wholesale and retail business lines collaborated to facilitate the expansion of payroll services, with 148,100 new payroll enterprises, representing an increase of 16.42%. The Bank explored a new model of private banking services integrating wholesale finance and private banking to open up the service demands of private banking customers and the enterprises behind them, which achieved certain results in the integrated service of "investment banking, commercial banking and private banking" for key customers of new growth engine enterprises. By fully leveraging retail advantages to expand the scale of custody business, we had 253 newly issued mutual funds under custody with a custody scale of RMB406.8 billion as at the end of the reporting period, ranking first in the market in terms of custody number and scale of newly issued mutual funds. We built a one-stop enterprise digital service comprehensive platform —— Xin Fu Tong (薪福通) 3.0 integrating the forces of technology, retail and wholesale to achieve customer acquisition and financial service transformation based on the customers' management demands. As at the end of the reporting period, Xin Fu Tong 3.0 had 339,000 newly registered and certified enterprises in the year. **In terms of the Group's flywheel**, during the reporting period, the Company recommended bond assets of RMB198.397 billion for CMB Wealth Management, while all subsidiaries in aggregate contributed AUM of RMB2.48 trillion and FPA of RMB780.445 billion to the Company. CMB International Capital launched 122 new projects linked to the Company, representing a year-on-year increase of 23%, with an account opening rate of 100% for lead investment projects and 77% for co-investment projects. The Company and China Merchants Fund further strengthened the cooperation on agency distribution of funds. As at the end of the reporting period, the management scale of China Merchants Fund's non-monetary mutual funds leaped to the seventh in the industry ranking (WIND data). Among the fund companies that the Company cooperated with on agency distribution of funds, the scale of China Merchants Fund took up the highest percentage of existing mutual funds distributed by the Company.

2. More improvement of digital operation model

In terms of retail customer service, we continued to improve the "talent + digitalisation" capability, and upgraded the operation model from mainly focusing on account management by account manager to the dual model of "account management + traffic". During the reporting period, the number of monthly active users (MAU) of CMB APP and CMB Life APP reached 111 million, and the number of MAU in 28 scenarios exceeded ten million. We promoted the organic integration of monthly active users (MAU) and total assets under management (AUM) to enable more customers to enjoy wealth management services on the Bank's platforms, and enhanced the digital service capability of private banking business, which shortened the approval cycle of family trusts by 92% to as short as 3 working days, with 89% of orders placed online.

In terms of cooperate customer service, we integrated the customer demand scenarios in the whole process, realising that only a one-time visit to the counter for account opening is required and the regular business can be handled online in a one-stop manner subsequently. The active rate of basic customers increased by 5.27 percentage points from the beginning of the year. We actively promoted the construction of the intelligent risk control platform and improved the online migration rate of the whole process of corporate finance business. As at the end of the reporting period, the online migration rate reached 67.26%, representing an increase of 28.41 percentage points as compared with the end of the previous year. The number of business transactions for products such as working capital loans, financial guarantees, bills, domestic letter of credit completed online surpassed the traditional offline process.

In terms of risk management, the Company continued to push forward the application of Fintech in the field of "all risk" to support the cyclic value chain of extensive wealth management. The intelligent risk control platform named "Libra" enhanced transaction risk management and control capabilities. During the reporting period, the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.90 in ten millionths, with a compound drop of 62.46% in the recent three years; the corporate intelligent early-warning system had an early-warning accuracy rate of 75.68% for potentially risky corporate customers. The Company established an early-warning platform for default risk in the debenture bond, with an accuracy rate of 86% for early warning of significant credit events.

In terms of cost reduction and efficiency enhancement, the remarkable results have been achieved for AI simulating, assisting and substituting human, and smart AI customer service, voice quality inspection, intelligent reviewing and other services have achieved a total of more than 6,000 staff replacement. The Company has established cooperative relations with 62 provident fund centers in respect of smart AI customer service, provided smart customer service for 26 provident fund centers, and introduced 41 various service interfaces of provident fund. Through measures such as technological improvement, resource management and reuse of old equipments, the Company saved cost exceeding RMB100 million in respect of IT infrastructure during the year. The Company systematically promoted the efficiency improvement of the science and technological team, which led to the increase of the scale of R&D output by more than 30% year-on-year. The Conch RPA (robotic process automation) platform independently developed by the Company has achieved a comprehensive replacement for foreign mature products, with a total of 2,000 scenario applications developed. The Company built the "Huidian Privacy (慧點隱私) Computing Platform" and realised the interconnection with leading privacy computing manufacturers. This platform has been applied in multiple business scenarios and provided users with more comprehensive privacy protection services.

In terms of underlying technology capabilities, we continued to promote the host and application cloud, laying a solid foundation for agile business development. As at the end of the reporting period, the project's progress exceeded 75%. Based on the six-level structure of data, analysis, products, services, operation and traffic, we systematically built technological support to empower extensive wealth management. The Company has obtained the qualification of digital RMB operation institution, and the digital RMB was officially launched on 4 January 2022 to provide customers with digital wallet services.

3. Continuous evolution of the organisational model of openness and integration

The Company built a "customer-centric" organisation and team. During the reporting period, the retail finance and corporate finance business lines were restructured to further rationalise the business logic and internal processes, thereby strengthening the customer acquisition and business cooperation. We continued to explore an integrated team, timely summarised the integration paradigm in key integration scenarios and kept iterating.

In the retail business line, we piloted the system of enlarged job profiles to lift the job duties barriers among marketing, wealth management, retail loan business, credit card and other positions, which widened the career paths for employees while improving service efficiency. In the wholesale business line, we piloted a project-based operation and established a "virtual department" centering on core customers and the investment chain and industrial chain enterprises behind them, where members from customers, products, risk departments and different branches were jointly responsible for solving the core requirements of customers. We continued to deepen the communication mechanism between cadres and employees, promoted communication of cadres across business lines and institutions, and strengthened the process management of openness and integration of cadres.

We continued to build a light-model culture and introduced the "Simple Work Management Tips (清風管理錦囊)" to provide a methodology for grassroots managers to practice the "Simple Work Style (清風公約)" and help managers improve their "Simple Work Leadership (清風領導力)". We also carried out the "Simple Work 100 (清風100)" activity to set an example for grassroot management for all employees as well as the "Simple Work Inspection (清風問診)" action to help the organisation in self-inspection and self-correction. The continuous cultural promotion enhanced cadres and employees' sense of recognition and willingness to practice the CMB culture. During the reporting period, the views of the internal forum "Egg Shell" exceeded 24 million times, and the employees put forward 3,624 suggestions, some of which have been embraced by the Company, and have been used to optimise our work and processes, so as to promote the rectification of problems and management improvement.

3.9 Key Business Concerns in Operation

1. Net interest margin

In 2021, the net interest margin of the Group was 2.48%, representing a decrease of 1 basis point year-on-year; and the net interest margin of the Company was 2.53%, representing a decrease of 3 basis points year-on-year. Such decrease was mainly due to a decline in loan yields resulting from the cumulative impact of multiple cuts in the Loan Prime Rate (LPR) in the previous year. In order to maintain a stable net interest margin, the Group, on the one hand, continued to optimise the structure of both assets and liabilities and improve the efficiency of capital use on the asset side, resulting in a steady increase in the proportion of high-yield assets, while the low-cost core deposits on the liability side maintained a good growth momentum, and its proportion in interest-bearing liabilities increased further. On the other hand, the Group insisted on refined management of the cost of liabilities, including the year-on-year decrease in cost ratio of customer deposits, financial institution demand deposits and interbank certificates of deposits. The continued optimisation of the structure of both assets and liabilities, as well as the decline in the cost of liabilities, to a certain extent, had made up for the impact of the decline in loan yields.

Looking forward to 2022, the Group will face greater challenges in maintaining a stable net interest margin. On the one hand, the downward adjustment of LPR in late 2021 and early 2022 and the policy stance in 2022 will continue to drive further reductions in financing costs for real economy, with downward pressure on loan pricing, while falling market interest rates will drive down non-credit asset yields. On the other hand, rising customer demand for higher deposit returns and the growing wealth attributes of deposits have resulted in intense competition for deposits, with subsequent costs expected to increase and remain rigid, squeezing the net interest margin. However, there are also some favorable factors. Firstly, the central bank lowered the deposit reserve ratios at the end of 2021, which will further optimise the Group's asset and liability structure. Secondly, competitive market practice will be further regulated, allowing the Group to fully leverage its strength in comprehensive customer operations and services to boost deposit growth.

In view of the above, the Group will adopt the following measures to maintain a relatively good level of net interest margin in the industry. As for assets, the Group will continue to optimise the credit asset structure, strengthen loan pricing management, and further improve the risk pricing capability. Meanwhile, the Group will strengthen forward-looking judgments on market interest rates, improve the efficiency of capital use, and appropriately increase the allocation of bonds and high-yield financial institution assets. As for liabilities, the Group will continue to promote high-quality growth of deposits, prioritise the growth of low-cost core deposits, and consolidate the advantage of deposit costs. Meanwhile, the Group will flexibly arrange marketised funding sources and promote the steady growth in low-cost financial institution demand deposits.

2. Net non-interest income

During the reporting period, driven by the cyclic value chain of extensive wealth management, the total customer assets under management by the Group maintained rapid growth, which had propelled the simultaneous operations of asset management, asset custody, investment banking and other businesses. As a result, the Group realised the generation of income from multiple sources such as wealth management, asset management and asset custody, demonstrating the coordinated development of various businesses. In addition, the further deepening of layered management of wholesale customers and the integrated transformation of investment banking and commercial banking business had also brought new growth opportunities for wholesale cash management, trade finance, cross-border business and supply chain finance. During the reporting period, the Group achieved net non-interest income of RMB127.488 billion, representing a year-on-year increase of 21.13% and accounting for 38.47% of net operating income, up by 2.21 percentage points year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB94.447 billion, representing a year-on-year increase of 18.82% and accounting for 74.08% of net non-interest income; other net non-interest income amounted to RMB33.041 billion, representing a year-on-year increase of 28.25%.

The following is an analysis of the Group's net fee and commission income during the reporting period from the perspective of major items. **Fee and commission income from wealth management** amounted to RMB35.841 billion, representing a year-on-year increase of 29.00%, of which income from agency distribution of funds amounted to RMB12.315 billion, representing a year-on-year increase of 36.20%, which was mainly attributable to the Company's long-term layout and various allocation measures in mutual fund business, leading to the further expansion of business advantages and growth in both trading and retention income, as well as the gradual increase in the share of retention income contribution thanks to the stable increase in existing scale; income from agency distribution of insurance policies amounted to RMB8.215 billion, representing a year-on-year increase of 42.80%, which was mainly attributable to the fact that the Company proactively responded to regulatory calls, promoted the return of agency distribution of insurance policies to the origin of protection, and focused on the development of protection insurance business; income from agency distribution of trust schemes amounted to RMB7.542 billion, representing a year-on-year decrease of 1.10%, which was mainly attributable to the decrease in existing business against the backdrop of suppression of financing trusts and control of real estate trusts business; income from agency sales of wealth management products[5] amounted to RMB6.292 billion, representing a year-on-year increase of 53.69%, which was mainly attributable to the expansion in advantages of CMB Wealth Management's products, construction of an open platform to offer products, as well as the admirable expansion in the sales scale of retail wealth management products; income from securities brokerage amounted to RMB1.281 billion, representing a year-on-year increase of 22.73%, which was mainly attributable to the increase in securities brokerage income of CMB International Capital and CMB Wing Lung Bank along with the rising trading volumes of the robust Hong Kong capital market during the first half of 2021; income from agency distribution of precious metals amounted to RMB196 million. **Fee and commission income from asset management** amounted to RMB10.856 billion, representing a year-on-year increase of 57.52%, which was mainly attributable to the growth in the income from fund management fees of China Merchants Fund and CMB International Capital and the fee income from wealth management products of CMB Wealth Management, all being subsidiaries of the Group. **Commission income from custody businesses** amounted to RMB5.433 billion, representing a year-on-year increase of 27.75%, which was mainly attributable to the scale expansion and continuous structural optimisation of custody businesses. **Income from bank card fees** amounted to RMB19.377 billion, representing a year-on-year decrease of 0.89%, which was mainly attributable to the decrease in offline transaction volumes of credit cards. **Income from settlement and clearing fees** amounted to RMB13.902 billion, representing a year-on-year increase of 9.89%, which was mainly attributable to the increase in the income of online payment.

Looking forward to 2022, the Group will continue to focus on customer demands and promote the quality development of net non-interest income. The first is to continuously promote the overall planning of cyclic extensive wealth management value chain to accelerate digital transformation, platform transformation and ecological transformation, and truly gain insight into the wealth needs throughout the customers' full-life cycle from the perspective of maximising their income, so as to achieve the growth of and add value to their assets, and on this basis, promote the flywheel operations of the comprehensive integration of various businesses under the cyclic extensive wealth management value chain of "wealth management-asset management-investment banking", thus increasing the contribution of extensive wealth management income to the Group's income. The second is to synergise the development of traditional non-interest income by, on the one hand, making use of digital means and collaborative integration measures to increase the efforts in retail customer acquisition and promotion and promote the stabilisation and rebounding of the increase of both credit card income and debit card settlement income; on the other hand, taking the improvement of online level as an important starting point for wholesale business, deeply grasping the all-round basic financial needs of high-quality customers and penetrating into their various key sections such as payment collection, transaction, cash management, international settlement and trade financing, driving the growth of trading banking business and cross-border business income. The third is to strengthen market research and judgment, improve trading capability, and achieve a relatively stable and healthy growth in the income from financial market proprietary business during the volatile economic and policy cycles.

5 Income from agency sales of wealth management products refers to the income related to sales services provided for wealth management products of banks by the Group.

3. Risk management and control for real estate sector

The State currently continues to adhere to the positioning of "housing is for living in, not for speculation" in the real estate industry and the guidance of stabilising land price, housing price and market expectations, accelerate the development of long-term rental housing market, promote the construction of affordable housing, uphold the combination of renting and purchasing and step up the establishment and improvement of a comprehensive long-term mechanism for real estate industry. In terms of actively preventing and resolving potential risks in the real estate industry, it emphasises "assigning the responsibilities to the local, financial regulatory and industry competent authorities, and asserting the primary responsibilities of enterprises for self-rescue". While supporting the commercial housing market to better satisfy the reasonable housing needs of homebuyers, the government adopts city-specific policy to promote the virtuous cycle and healthy development of the real estate market.

The Group emphasised the risk prevention in the real estate sector. The Group optimised its internal credit policy in a dynamic manner according to the macro policies to the real estate industry, regulatory requirements and industrial developments in active response to the guidance of national policy in accordance with the overall strategy of "total volume control, focus on customers and regions, adjustment of structure, and strict management", and maintained a stable and orderly granting of credit loans to real estate industry. As at the end of the reporting period, the total balance of the businesses relating to real estate of which the Group assumed credit risks, such as actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB511.489 billion, representing an increase of 3.48% as compared with the end of the previous year, of which the Company's corporate real estate loan balance was RMB355.977 billion, representing an increase of RMB13.657 billion as compared with the end of the previous year and accounting for 6.78% of the Company's total loans and advances to customers, representing a decrease of 0.46 percentage point as compared with the end of the previous year, which was mainly granted to quality strategic customers; the total balance of the businesses of which the Group did not assume credit risks, such as wealth management funds, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter, amounted to RMB412.078 billion, representing a decrease of 20.61% as compared with the end of the previous year. Affected by factors such as industry policy control and decline in the prosperity of real estate industry, the debt risk of some "high-debt, high-leverage and high-turnover" real estate enterprises increased during the reporting period. As at the end of the reporting period, the Company's non-performing loan ratio of corporate real estate loans was 1.39%, representing an increase of 1.16 percentage points as compared with the end of the previous year. The customer structure of real estate business, of which the Company assumed credit risks, has remained sound. Among which, the balance with customers featuring high credit rating accounted for 86.62%.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry. With respect to the real estate credit business of which the Group assumes credit risks, the Group will continue to carry out total volume control and customer credit limit management, focus on central cities and strategic customers, constantly adjust the customer and region structure of real estate sector, further enhance the post-investment and post-loan management, strictly implement closed management requirements for real estate loans and strengthen the project risks monitoring and analysis. With respect to the real estate business of which the Group does not assume credit risks, the Group will adhere to the regulatory requirements to strengthen investor suitability management, disclose key risk information of products, and earnestly perform its corresponding supervision responsibilities. The Group will closely follow the macro policies on real estate sector and reinforce the research and judgment of the real estate risks. It is expected that against the backdrop of the current macro environment and industry policies, the quality of real estate assets of the Group will remain stable as a whole.

4. Deposits from customers

As at the end of the reporting period, the balance of the Company's deposits from customers amounted to RMB6,112.677 billion, representing an increase of RMB704.750 billion or 13.03% as compared with the end of the previous year, which was mainly driven by the increase of low-cost core deposits[6]. The growth rate of the Company's customer deposits decreased as compared with the previous year, mainly due to the following reasons: firstly, the M2 growth rate declined, which was 9.0% in 2021, representing a decrease of 1.1 percentage points as compared with the previous year, and the increment in deposits from financial institutions was less than the same period of the previous year; secondly, the uncertainty of economic growth increased as the profitability of enterprises had not yet fully recovered. The insufficiently activated corporate funds and weak growth of demand deposits, as well as the weakened corporate investment willingness and the declined financing demand resulted in a decrease in deposit derivation; thirdly, fiscal expenditures and bonds issuance of local governments generally lagged behind, leading to a slowdown in capital flow.

Faced with the challenges of a changing external environment for deposits, the Company responded to the pressure of slowing deposit growth and promoted the continuous optimisation of deposit structure through measures such as deposit classification management, assessment guidance and increased efforts in customer expansion. During the reporting period, the Company's average daily balance of core deposits was RMB5,003.180 billion, representing an increase of 18.35% as compared with the previous year, and accounting for 87.26% of the average daily balance of customer deposits, representing an increase of 5.13 percentage points as compared with the previous year; the average daily balance of demand deposits was RMB3,725.347 billion, representing an increase of 18.92% as compared with the previous year, and accounting for 64.98% of the average daily balance of customer deposits, representing an increase of 4.11 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB266.317 billion, representing a decrease of 0.27% as compared with the end of the previous year, and the proportion of structured deposits was 4.36%, representing a decrease of 0.58 percentage point as compared with the end of previous year.

Looking forward to 2022, with the basic macroeconomic stance of "prioritising stability" and "making steady progress", the role of prudent monetary policy and proactive fiscal policy will become more prominent. It is expected that the external environment for the growth of commercial bank deposits will be improved marginally. However, the trend of deposit concentration to the leading banks is expected to continue and the competition will remain fierce. The Company will still face pressure from both scale growth and cost control. To cope with the above challenges and maintain high-quality growth of deposits, the Company intends to start from the following aspects: firstly, grasp the external opportunities, seize the investment and financing capital operation chain and enhance deposit derivation of real economy; secondly, ensure the operations of deposit growth in terms of quantity and quality through internal management initiatives, and adhere to the leading position of core deposit growth while continuing to strengthen the quantity and price control on high cost deposits such as structured deposits and large-denomination certificates of deposit to maintain a higher proportion of demand deposits, so as to maintain the advantage of relatively low deposits costs; thirdly, count on the ongoing growth of customer base to expand deposit funding sources.

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6 The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

5. Loan business

In 2021, the Company recorded an overall steady growth in its loans. As at the end of the reporting period, the Company's total loans and advances to customers amounted to RMB5,252.286 billion, representing an increase of RMB521.903 billion or 11.03% as compared with the end of the previous year, among which, retail loans amounted to RMB2,941.020 billion, representing an increase of RMB297.067 billion or 11.24% as compared with the end of the previous year. The growth of residential mortgage loans slowed down, but the growth of micro-finance loans, consumer loans and credit card loans contributed to the continuous and steady growth of the Company's retail loans. Corporate loans amounted to RMB1,882.161 billion, representing an increase of RMB123.210 billion or 7.00% as compared with the end of the previous year. The slowdown in the year-on-year growth rate was mainly due to the decline in the financing demand from corporate customers. To respond to the challenge of insufficient effective credit demand, the Company actively promoted the structural adjustment of corporate customers, supported the real economy development, and increased the loan granting to key areas such as new growth engine, green economy and high-quality manufacturing industries.

In 2021, the Company earnestly implemented the decisions and arrangements of Central Committee of the CPC and the State Council on supporting the small- and micro-sized enterprises, fully supported the relief of enterprises, effectively strengthened the credit support for enterprises in key areas of fighting against the pandemic and safeguarding supply and resumption of work and production, as well as small- and micro-sized enterprises and private industrial and commercial businesses greatly affected by the pandemic, and continued to carry out the policy for periodical deferment of repayment of the principal and interest. From 2020 to 2021, the Company handled a cumulative amount of RMB195.683 billion in the loans granted to the customers who applied for deferment of repayment of the principal and interest, of which RMB43.111 billion took place in the loans granted to the customers who applied for deferment of repayment of the principal and interest in 2021. As at the end of the reporting period, the balance of the loans granted to the customers who applied for deferment of repayment of the principal and interest amounted to RMB1.570 billion and asset quality was stable. It is expected that the borrower may repay the principal and interest normally in the future. In 2022, the People's Bank of China converted the extension facility for SME inclusive finance loans into the supporting facility for SME inclusive finance loans, and incorporated the credit loan support plan of SME inclusive finance loans into the refinancing scheme for agriculture business and SMEs. The Company will implement relevant requirements, make good use of two successive converted tools, and continue to strengthen its support for small- and micro-sized enterprises on the premise of risk prevention and control.

In terms of inclusive finance, the Company actively supported the development of small- and micro-sized enterprise. As at the end of the reporting period, the balance of SME inclusive finance loans of the Company amounted to RMB601.100 billion[7], representing an increase of RMB92.639 billion or 18.22% as compared with the beginning of the year, which was 7.19 percentage points higher than the growth rate of overall loans of the Company. The number of accounts with SME inclusive finance loan balance were 913,300, representing an increase of 443,800 as compared with the beginning of the year. During the reporting period, the newly granted SME inclusive finance loans amounted to RMB435.426 billion and had an average interest rate of 5.28%.

Looking ahead to 2022, in view of macroeconomic uncertainties with challenges in granting of loans, the Company will adhere to its strategic positioning of "One Body with Two Wings" and the strategic direction of "Light-model Bank" to strive for stable growth of credit assets by taking into account both the change in macroeconomic situation and its internal development needs. Specifically, retail loans are expected to maintain steady growth. The Company will continue to implement the regulatory policies and actively optimise the credit asset structure. The growth rate of residential mortgage loans will decrease while the micro-finance loans, consumer loans and credit card loans are expected to maintain a rapid growth, with further increase in the proportion of non-housing mortgage loans. The growth rate of corporate loans is expected to be the same as that in 2021.The Company will focus on the structural adjustment of corporate customers, driving credit investment in the industries and sectors of new growth engine, green economy, high-quality track manufacturing, regional advantageous and characteristic industries and self-controllable industries for ongoing optimisation of the structure of corporate credit.

7 Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single account credit limit of RMB10 million, according to the appraisal caliber of the CBIRC, which is the full-scale RMB domestic caliber, excluding bill financing for the current period as compared with the caliber of the previous periods, with corresponding adjustments made to the comparable figures at the beginning of the period.

6. The formation and disposal of non-performing assets

During the reporting period, the Company recorded newly formed non-performing loans of RMB47.319 billion, representing a year-on-year decrease of RMB8.824 billion, with a non-performing loan formation ratio of 0.95%, down by 0.31 percentage point year-on-year. In terms of major business categories, the amount of newly formed non-performing corporate loans was RMB10.976 billion, representing a decrease of RMB4.105 billion year-on-year; the amount of newly formed non-performing retail loans (excluding credit cards) was RMB7.137 billion, representing a decrease of RMB1.484 billion year-on-year; the amount of newly formed non-performing loans of credit cards was RMB29.206 billion, representing a decrease of RMB3.235 billion year-on-year. As for regions, the non-performing loans were mainly formed in Central China, Yangtze River Delta and Bohai Rim, but both the formation amounts and formation ratios of non-performing loans in various regions decreased year-on-year. As for industries, the formation of non-performing loans was mainly distributed in real estate industry, manufacturing industry, wholesale and retail industry, of which the formation amounts and formation ratios of non-performing loans to the industries such as real estate, mining, culture, sports and entertainment, accommodation and catering, and education increased year-on-year. From the perspective of customer base, formation of most of the non-performing loans were due from large-sized enterprises but both formation amounts and formation ratios of non-performing loans to the large-, medium- and small-sized enterprises decreased year-on-year.

The Company has always adhered to prudent and stable customer selection and asset allocation, spurred by its sufficient risk compensation and strong capabilities of guarding against risks. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Company amounted to RMB239.185 billion, representing an increase of RMB10.969 billion as compared with the end of the previous year. The allowance coverage ratio was 490.66%, representing an increase of 47.15 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.55%, representing a decrease of 0.27 percentage point as compared with the end of the previous year; the credit cost ratio was 0.73%, representing a year-on-year decrease of 0.30 percentage point during the reporting period.

During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the Company disposed of non-performing loans amounting to RMB50.034 billion, of which RMB23.580 billion was written off; RMB13.163 billion was recovered by collection and RMB10.601 billion was securitised; and RMB2.690 billion was disposed of by repossession, transfer, restructuring, upward migration, remission and other means.

During the reporting period, the Company steadily pushed forward the rectification of wealth management business and the disposal of existing assets according to the regulatory policies regarding the adjustments of the transitional period under the New Regulation on Asset Management. In 2021, the Company disposed of the eligible risky assets associated with its wealth management business by back-to-balance sheet arrangement and including such assets under the financial investments, completed the disposal of wealth management assets by back-to-balance sheet arrangement with a total principal amount of RMB11.004 billion and made asset loss provision of RMB11.004 billion based on the expected credit loss model. For the assets that have been restated in the balance sheet, the Company worked with CMB Wealth Management for active collection and disposal. As at the end of the reporting period, the balance of the principal amount of wealth management assets by back-to-balance sheet arrangement amounted to RMB20.976 billion, with asset loss provision of RMB20.750 billion.

In 2022, the Company will continue to conduct in-depth research on the internal and external risk situation, enhance the ability of industry research and customer awareness, adjust the customer structure and business structure, reinforce the post-investment and post-loan management, constantly conduct early-warning screening in key areas and penetrating risk monitoring with control measures, strictly implement asset classification management to fully expose risks, make full loss provision, and standardise the disposal of non-performing assets by various methods and apply them in an active way such as recovery by collection, write-off and transfer, so as to strive to maintain overall stability of asset quality.

7. Asset quality in key areas

During the reporting period, the Company strengthened the control of its risks associated with key areas such as consumer financing business, local government financing platforms, and other industries under close surveillance. The overall asset quality was stable. In 2022, in active response to changes in external macro-economic situation, the Company will enhance the research and judgment on risk management and control in areas such as micro-finance loans, local government financing platforms and the industries under close surveillance for better risk prevention and control in key areas.

The following table sets out the asset quality of the Company's loans and advances by product type as of the date indicated.

	31 December 2021						
(in millions of RMB, except for percentages)	Balance of Loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,882,161	24,666	1.31	10,456	0.56	18,912	1.00
Discounted bills	429,105	–	–	9	–	–	–
Retail loans(1)	2,941,020	24,082	0.82	33,075	1.12	36,761	1.25
Micro-finance loans	560,565	3,488	0.62	1,792	0.32	3,076	0.55
Residential mortgage loans	1,364,518	3,806	0.28	4,928	0.36	3,782	0.28
Credit card loans	840,253	13,844	1.65	25,700	3.06	26,818	3.19
Consumer loans(2)	155,984	1,595	1.02	502	0.32	1,727	1.11
Others(3)	19,700	1,349	6.85	153	0.78	1,358	6.89
Total loans and advances to customers	5,252,286	48,748	0.93	43,540	0.83	55,673	1.06

	31 December 2020						
(in millions of RMB, except for percentages)	Balance of Loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,758,951	29,767	1.69	11,389	0.65	25,096	1.43
Discounted bills	327,479	–	–	459	0.14	–	–
Retail loans	2,643,953	21,690	0.82	25,710	0.97	29,562	1.12
Micro-finance loans	474,528	3,013	0.63	1,014	0.21	2,836	0.60
Residential mortgage loans	1,264,388	3,736	0.30	1,516	0.12	3,833	0.30
Credit card loans	746,559	12,421	1.66	22,554	3.02	20,059	2.69
Consumer loans(2)	118,945	1,458	1.23	385	0.32	1,702	1.43
Others(3)	39,533	1,062	2.69	241	0.61	1,132	2.86
Total loans and advances to customers	4,730,383	51,457	1.09	37,558	0.79	54,658	1.16

Notes:

(1) In view of the severe and complex external market environment, the Company further strengthened the post-loan management and heightened the asset classification standards. Firstly, loans overdue for more than 60 days were downgraded to non-performing loans. Secondly, the timing of recognising credit card loans as overdue loans was adjusted according to regulatory requirements. Thirdly, for retail borrowers with overdue or other risk signals of the Bank and other banks, all their loans in the Company were further adjusted to special-mentioned loans in strict accordance with regulatory requirements. Affected by the above factors, the amount of non-performing retail loans and the special-mentioned rate and overdue rate of retail loans increased.

(2) Following the further specification on the requirements of regulatory authorities for internet joint consumer loans and changes in the external environment, the Company took the initiative to make structural optimisation of consumer loans, actively adjusted the pilot internet joint consumer loan business on a small scale at the early stage, focused on high-quality consumer group with higher comprehensive contributions and superior asset quality performance, and vigorously developed proprietary consumer loans. During the reporting period, the Company included internet joint consumer loans under the statistical caliber of other retail loans, and the data at the beginning of the year were adjusted in accordance with the same statistical caliber.

(3) Consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans, internet joint consumer loans and other personal loans secured by monetary assets, and the data at the beginning of the year were adjusted in accordance with the same statistical caliber. The increase in the non-performing ratio of other retail loans from the beginning of the year was mainly due to the suppressing in the scale of internet joint consumer loans. At the same time, the Company strictly identified the classification standards for this type of loans to strengthen credit risk management.

Risk management and control for consumer financing business

During the reporting period, the Company consistently focused on high-quality customers to deeply explore the upgrading consumption scenarios and the real comprehensive consumption scenarios of individuals or families encouraged by national policies for a steady development of consumer financing business. Benefiting from the continued domestic economic recovery, the optimisation and adjustment of the customer base structure of consumer financing and the asset structure of the Company, as well as the enhancement of the risk management and control ability of joint debts, the key risk indicators of consumer financing of the Company have improved as compared with the end of the previous year while the scale and proportion of the Company's consumer financing business under collection procedure have recovered to the level prior to the pandemic with overall risk situation being stable and positive. As of the end of the reporting period, the non-performing loan ratio of the Company's consumer financing business (including credit cards) was 1.55%, down by 0.05 percentage point as compared with the end of the previous year; the percentage of special-mentioned loans was 2.63%, down by 0.02 percentage point as compared with the end of the previous year; the percentage of overdue loans was 2.87%, up by 0.36 percentage point as compared with the end of the previous year, which was mainly due to the adjustment to timing of recognising credit card loans as overdue loans. Looking forward to 2022, given that the evolving pandemic at home and abroad will still have short-term impact to the employment, income and consumption of residents, in addition to factors such as further speeding up of the identification and mitigation of risks associated with joint debts by financial institutions, it is expected that the short-term risk management and control of consumer financing business will be under certain pressure. The Company will closely follow the changes in the external environment, adhere to a prudent and sound risk preference, focus on value-based customer operations, continuously optimise customer base and asset structure, reinforce the risk prevention and control at the product promotion end, strictly control the usage of consumption loans, proactively dispose of the non-performing assets, and strive to maintain a relative stability in asset quality of consumer financing business.

Risk management and control for local government financing platform business

The Company resolutely implemented the State's requirements to continue strengthening local governments' debts management, while preventing and defusing the risks on local governments' implicit debts and further regulating the financing platforms as well as the relevant requirements of investments and financing activities conducted by local state-owned enterprises. The Company strictly performed legal procedures, and was committed to operating in compliance. As at the end of the reporting period, the balance of risk exposure of our businesses with local government financing platforms of the Company (calculated on the broad statistical caliber) amounted to RMB261.681 billion (including businesses such as actual and contingent credit, bond investments, proprietary investments and fund investments of wealth management products), representing an increase of RMB13.384 billion as compared with the end of the previous year. Among which, the balance of loans to domestic companies amounted to RMB123.526 billion, representing an increase of RMB8.624 billion as compared with the end of the previous year, and accounted for 2.35% of the total loans and advances granted by the Company, down by 0.08 percentage point as compared with the end of the previous year. As at the end of the reporting period, the non-performing loan ratio of the local government financing platform business was 0.63%, up by 0.08 percentage point as compared with the end of the previous year. In 2022, the Company will continue to adhere to commercial principles, resolutely get rid of the mindset that the government will guarantee the fallback, correctly understand the government's role and responsibilities to enterprises and projects, strictly implement various regulatory policies, carefully select its business based on the coverage of its debts by the projects and operating cash flow of customers in accordance with the overall principle of "supporting preferential clients in selective areas in compliance with regulatory requirements and through credit limit management, emphasising self-compensation and through city-specific policies". Besides, for the general bond financing of local government, the Company will select the regional issuers with more developed economy and stronger debt bearing capacity; for the special bonds of local government, the Company will choose the projects listed in the national key planning and construction to carry out the bond investment business on the premise of full risk assessment. For local governments' implicit debts management, the Company will continue to improve the supporting management mechanism for implicit debts, strictly implement the management and control requirements of the relevant policies with rigorous frequent investigations on the risk of implicit debts, and require all operating institutions to strictly prohibit the addition of local government implicit debts or participate in the false mitigation of local government implicit debts. Against the backdrop that the national fiscal and financial policies remain stable, it is expected that the quality of the Company's assets granted to local government financing platforms is expected to remain stable.

Risk management and control for industries under close surveillance

During the reporting period, the Company continued to classify the customers and cap the total number by the principle of categorising them into three types, namely whitelist customers, maintained customers and controlled customers from 15 industries[8] under close surveillance that were greatly affected by supply-side structural reforms, overcapacity or the "dual carbon"policy. Among which, for the "whitelist" customers such as leading enterprises in the industries and regional quality enterprises, appropriate credit increase support would be given on the premise of controllable risk; for the "maintained" customers with relatively stable risks and acceptable operations, we will focus on listed entities, core enterprises within the group and companies with sound performances, maintaining the current customer base and iterating gradually, and the optimal allocation of customers and asset structure would be realised by means of total amount control and elimination of the inferior and selection of the superior; for the "control" customers such as zombie enterprises and zombie-like enterprises, enterprises with high leverage and high debts, single account quota management strategy would be implemented. As at the end of the reporting period, the business financing exposure to the industries under close surveillance conducted by the Company (calculated on the full statistical caliber) amounted to RMB142.027 billion, representing an increase of RMB19.405 billion[9] as compared with the beginning of the year, which was mainly granted to the quality strategic customers and customers on the whitelist at Head Office and branches. The non-performing loan ratio of industries under close surveillance was 4.35%, down by 1.83 percentage points as compared with the beginning of the year. Affected by the risk exposure and constant shrinking business scale of individual existing customers, the non-performing loan ratios of industries including coal, iron and steel, and coal trade increased as compared with the beginning of the year, while the non-performing loan ratios of other industries decreased as compared with the beginning of the year. In light of the basic customer groups falling into the industries under close surveillance of the Company are mainly strategic customers and customers on the whitelist at Head Office and branches, with clear advantages in scale, cost and market as well as relatively strong ability to resist external risks, it is expected that the risks associated with the industries will be generally controllable in 2022. Subsequently, the Company will dynamically adjust the credit policy in related fields, taking into consideration national strategies such as the "dual carbon" target planning and implementation, industrial policies such as energy "dual control", financial regulatory policies and the actual operation of the market.

8. Capital management

The Company continued to optimise its business structure and to enhance capital management. During the reporting period, the Company satisfied the various capital requirements imposed by the CBIRC, with relatively adequate capital buffer.

The Company adhered to the principle of prudence and stability, and maintained steady growth of risk-weighted assets subject to maintaining the risks under control. As at the end of the reporting period, the growth rate of risk-weighted assets (having taken into consideration the floor requirements during the parallel run period) under the Advanced Measurement Approach of the Company was 12.82%; the ratio of the Company's risk-weighted assets (taking into consideration the floor requirements during the parallel run period) under the Advanced Measurement Approach to total assets was 58.42%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 26.52%, significantly higher than the cost of capital. As at the end of the reporting period, the Core Tier 1 capital adequacy ratio of the Company under the Advanced Measurement Approach and the Weighted Approach increased as compared with the end of the previous year, thus achieving the endogenous growth of capital.

With the approval of the PBOC and the CBIRC, the Company issued Undated Additional Tier 1 Capital Bonds in China's national inter-bank bond market with an issue size of RMB43 billion on 7 December 2021. The funds raised, after deducting the necessary issuance fees, have been used to supplement the Company's additional Tier 1 capital based on applicable laws and regulatory approvals. For details, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. The Company will continuously improve the level of shareholder returns through various methods such as improving the efficiency of capital utilisation and optimising the structure of assets and liabilities.

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8 The 15 industries include coal, coal chemical, coal trade, iron and steel, steel trade, basic chemical, commonly used metal ore mining, nonferrous metal smelting and calendaring, shipbuilding, plain glass, ocean freight, textile and chemical fiber, fertilizer manufacturing, machine tool and synthetic material manufacturing.

9 The statistical caliber of the industries under close surveillance has been changed, and the figures at the beginning of the year have been adjusted with the same caliber.

The Company adhered to the development strategies of marketisation, branding and internationalisation, and constantly promoted the innovation and development of assets securitisation business to provide room for capital saving. During the reporting period, the Company issued a total of 13 asset securitisation projects through the interbank market with a total issue size of RMB62.128 billion. The underlying assets included credit card loans, auto installment loans, residential mortgage loans and non-performing loans.

Following the issuance of the "Assessment Methods for Systemically Important Banks《系統重要性銀行評估辦法》", the PBOC and the CBIRC jointly published the first list of domestic banks of systematic importance in China in October 2021, and simultaneously issued the "Ancillary Regulatory Provision for Systematically Important Banks (Trial)《系統重要性銀行附加監管規定(試行)》". The Company is in the third group on the list, facing additional regulatory requirements such as 0.75% of supplementary capital and 0.375% of supplementary leverage ratio. Currently, the Company's capital adequacy ratio, leverage ratio, liquidity and other operating indicators at all levels are maintained at a high level, and shall satisfy the additional regulatory requirements.

In recent years, the regulatory documents on systemically important domestic banks and in specific areas such as the "Provisional Measures for the Implementation of the Recovery and Disposal Plan of Banking and Insurance Institutions《銀行保險機構恢復和處置計劃實施暫行辦法》" have been issued in succession. The international regulatory reform has continued to advance, and the final reform plan of Basel III will be fully implemented. Against such backdrop, the Company will continue to uphold the strategic direction of "Light-model Bank", and focus on the construction of the cyclic extensive wealth management value chain while constantly optimising capital allocation strategy to strengthen asset-liability portfolio management, as well as improving capital return management mechanism with the application of the economic value added (EVA) and the risk-adjusted return on capital (RAROC) and other valuation indicators to enhance the efficiency of capital use, tracing the progress of international capital regulatory reform, continuing to implement the internal capital adequacy assessment procedures (ICAAP), keeping a dynamic balance of supply and demand of capital, sticking to the principles in capital supplement that fund generation and accumulation shall be mainly from internal resources, with capital replenishment through external resources as additional assistance, comprehensively planning the use of various capital instruments and achieving fund-raising through various channels and ways to ensure the smooth operation of capital adequacy ratio.

9. Transformation of corporate customer services

With adherence to focusing on customer needs, leveraging its own credit resources and multi-channel fund organisation ability, through linkage and cooperation with internal and external institutions of the Group, and starting from multiple dimensions such as bond underwriting, wealth management funds, cross-border coordination financing, proprietary investment and bill financing, the Company provided corporate customers with three-dimensional, comprehensive and multi-level financing support to cater to the indirect and direct financing demands of customers in whole balance sheet and full-life cycle.

As at the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB4,898.714 billion[10], representing an increase of RMB691.594 billion over the beginning of the year, among which, the balance of traditional financing[11] was RMB2,557.652 billion, representing an increase of RMB311.885 billion over the beginning of the year; the balance of non-traditional financing[12] was RMB2,341.062 billion, representing an increase of RMB379.709 billion over the beginning of the year. The balance of non-traditional financing accounted for 47.79% of the balance of FPA, representing an increase of 1.17 percentage points over the beginning of the year. During the reporting period, the Company boosted the transformation of customer services, facilitated the development of the real economy with the service concept of "integrating investment banking and commercial banking" and made several achievements.

In terms of debt financing instruments as the lead underwriter, starting from the needs of strategic customers, the Company accurately captured the financing pain points of customers to give full play to the advantages of direct financing services for setting up a comprehensive bond underwriting service system. During the reporting period, the Company historically broke through the RMB500 billion benchmark in the underwriting of non-financial corporate debt financing instruments, outperforming the market growth rate by 16 percentage points and ranking third in the banking industry for the first time (WIND data).

10 Some financing wealth management businesses were eliminated during the period because they ceased to meet the scope of FPA, resulting in the same-caliber adjustment to the data at the beginning of the period with the balance of the adjusted FPA at the beginning of the period of RMB4,207.120 billion, of which amount of traditional financing amounted to RMB2,245.767 billion and amount of non-traditional financing amounted to RMB1,961.353 billion.

11 Traditional financing comprises of general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

12 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

In terms of matched deals, centering on the complex and diversified investment and financing needs of customers, the Company took this as a starting point to continuously enhance our capability for multi-channel capital and asset organisation and introduce customers' financing demands to various capital parties in market transactions, so as to open up complete and reliable institutional investment and financing channels and strive to achieve efficient matching between investing and financing on the market. As at the end of the reporting period, the balance of matched deals included in FPA exceeded RMB300 billion.

In terms of bill financing, the Company helped micro-, small- and medium-sized enterprises address the difficulty of high financing cost by leveraging advantages of integrating the whole bill products such as settlement, acceptance, discount, bills pool, pledge, transfer discount and rediscount. During the reporting period, the Company vigorously promoted the development of commercial acceptance bill business. The commercial acceptance bill discounting business significantly increased by 76.10% throughout the year and jumped to the first in the banking industry (data from the Commercial Bank Bill Business Association). In the meantime, the Company actively drove the supply chain bill business, advanced accounts receivable securitisation from the source through optimising products and systems with constant iteration to support the development of micro-, small- and medium-sized enterprises. During the reporting period, the bill business of the Company served more than 140 thousand customers.

During the reporting period, the Company upgraded its supply chain business model featuring "providing services by all branches in a collaborative manner to one enterprise and its industrial chain (全國做一家)", to a model featuring "providing services to one enterprise and its industrial chain through national layout (全國服務一家)", which aims to address the difficulty of financing for core enterprises and their upstream and downstream segments along industrial chains while integrating the Company's resources across branches and business lines with a further focus on customers to form a bank-wide customer service network that meets customer needs. As at the end of the reporting period, the Company served 222 core enterprises through such business mode, covering 16,149 suppliers, among which 13,314 suppliers were granted the financing support, with the amount of granting loans of RMB159.8 billion. In addition, leveraging the advantages of Fintech, the Company realised the online migration of the whole process of the accounts receivable of dual factoring business, which greatly improved the efficiency of settlement and factoring facility and shortened the duration for granting loans from days to hours, while adopting differentiated service schemes for manufacturing, retail and wholesale, logistics and other industries for significant breakthroughs in the operation depth of core enterprises and the coverage of upstream and downstream enterprises. As at the end of the reporting period, the number of core enterprise customers increased by 29.74% year-on-year, and the number of upstream and downstream customers increased by 58.39% year-on-year.

10. Fintech

Focusing on the mainstay of building the cyclic extensive wealth management value chain, the Company deeply promoted the digital transformation and development of the Bank and the upgrade of the 3.0 business model. During the reporting period, the information technology expenses amounted to RMB13.291 billion, up by 11.58% year-on-year, and the ratio of the information technology expenses to the Company's net operating income was 4.37%.

Increase Fintech investment and strive to build Digital Bank. The Fintech Innovation Project Fund focused on the six major directions of C side ecological construction, B side ecological construction, digital operation, digital management, technological infrastructure, and innovation and incubation. It continued to support the acquisition of new capabilities and exploration of new models, and actively created an innovation atmosphere of openness and inclusiveness. During the reporting period, 559 new Fintech innovation projects were launched, and 587 new projects were put into operation. As at the end of the reporting period, the number of Bank's Fintech innovation projects launched and put into operation reached an aggregate of 2,665 and 1,961, respectively. The Fintech Innovation Project Fund has become an incubator and propeller for the new models of the Bank.

Transform the talent structure to adapt to Digital Bank. The Company continued to increase efforts to introduce Fintech talents, set up Fintech elite training camps and attract students from STEM (science, technology, engineering, mathematics) majors to join through open and experiential recruitment, laying a solid foundation for the reserve of Fintech talents. At the same time, the Company established an internal training and cultivation system for Fintech talents, driving for the building of personnel teams such as product managers, operation managers, data analysts and R&D engineers for a coordinated and smooth talent structure with reasonable echelons, and constantly strengthening the Fintech awareness of all employees of the Bank to foster their digital thinking. As at the end of the reporting period, the number of R&D personnel of the Group reached 10,043, representing an increase of 13.07% as compared with the end of the previous year.

Upgrade customer service continuously based on "people + digitalisation" and explore intelligent service mode for the future banking industry. Taking the needs of users as the starting point, the Company built a wealth brain and created intelligent wealth management consulting services with ongoing enhancement in the personalised services. During the reporting period, "AI Xiao Zhao (AI 小招)", an intelligent wealth assistant, was launched for 24/7 wealth accompanying service. "AI Xiao Zhao" was designed based on big data technology, which can better understand customers and products through knowledge precipitation and machine training, providing customers with a brand-new experience of comprehensive wealth management services such as income enquiry, rise and fall analysis, interpretation of market hotspots, product recommendation and asset allocation suggestions. During the reporting period, the Company's relationship managers established online business relationships with Golden Card Holder customers, Sunflower customers and other customers through the accessing functions of the APPs, serving 12,640,000 customers, representing a year-on-year increase of 35.52%. The transaction amounts were RMB561.190 billion, representing a year-on-year increase of 18.76%.

Enhance digital operation continuously and improve the efficiency of operation and management. The Company constantly promoted the online credit operations. It replaced the original offline manual operations through system construction in various steps such as pre-loan due diligence, in-loan approval and post-loan management. The online migration rate of the whole process of credit operations of the Company increased to 89.46%, representing a year-on-year increase of 17 percentage points. It reduced the manual entry operations of staff by means of automatic assigning by the system in the information filling process. The automation rate of filling in and approving basic customer information increased to 88.47%, representing a year-on-year increase of 28 percentage points. It built an intelligent analysis report generating system for operational risk. The generation efficiency of monthly analysis reports increased by 42.86% year-on-year and the operational efficiency of risk line personnel greatly improved. The Company built an intelligent financial management system to further optimise the intelligent budget system, continuously drove the construction of the "3+1" intermediate business intelligent management system[13] and the three-tier manager views[14], and set up a full-perspective customer comprehensive operation evaluation system and a full-level institutional operation monitoring system, which empowered the refined management throughout the Bank. While actively promoting machine audit to replace manual audit, the Company explored and promoted the "three noes (三無)" financial reimbursement mode of "no paper invoices, no manual audit and no trouble reimbursement (無紙單據、無人審核、無感報銷)", which improved the efficiency by 52% as compared with the traditional paper invoice reimbursement mode. Moreover, the Company accelerated the digital construction of cloud taxation to realise tax declaration with one click by making use of direct linkage between our Shenzhen institutions and tax authorities, along with continuous expansion of the application of Invoice Cloud. Financial integrated service platforms were established to strengthen financial management while enhancing staff experience, building an integrated new ecosystem for win-win cooperation among "business, finance and customers".

Deepen the transformation of technology structure and build digital technology system that adapts to the cyclic extensive wealth management value chain. On the one hand, the Company continuously built an open infrastructure of a "CMB Cloud (招行雲)" and two middle-offices (data middle-office and technology middle-office) to break the system and data silos for constant advancement in enterprise-level capabilities in order to maximise data value. As at the end of the reporting period, there were 2,811 shared components[15] of technology middle-office in the Company, of which 1,962 shared components were released during the reporting period. The bank-wide threshold for data usage was further lowered, and the number of personnel using big data accounted for about 40% of total number of employees of the Company. **On the other hand**, the Company continuously reinforced the construction and promotion of RPA (Robotic Process Automation), applet platform, low code platform and other tools to reduce the threshold of using technical tools for business personnel and empower staff for higher working efficiency in a digital way, thereby raising their sense of gain. The Company launched Conch RPA, a tool platform that supports users' rapid development and deployment, which can replace manual work to complete tasks with clear rules and high repeatability all year round unceasingly. It significantly enhanced business processing efficiency and staff happiness because they can invest the saved time in more creative and valuable work whilst it also effectively reduced the operational risk and operating cost. At present, Conch RPA has covered numerous business scenarios of the Head Office and branches and subsidiaries, such as daily office, foreign exchange business, payroll service and identification of counterfeit currencies. Nearly 60% of the personnel who use Conch RPA for self-development are business personnel.

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13 Refers to the three-level management structure comprising the bottom standard system, middle-level process specification and top-level decision-making analysis, and one-stop intermediate business management platform.

14 Refers to a visual business analysis platform that serves managers at all levels.

15 Refers to the technical units that can be reused.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB76.949 billion, representing an increase of 21.07% as compared with the previous year. Net operating income from the retail finance business amounted to RMB177.318 billion, representing an increase of 14.34% as compared with the previous year and accounting for 58.33% of the net operating income of the Company. Among the income from retail finance, the net interest income amounted to RMB115.991 billion, representing an increase of 12.75% as compared with the previous year and accounting for 65.41% of the net operating income from retail finance; the net non-interest income amounted to RMB61.327 billion, representing an increase of 17.46% as compared with the previous year while accounting for 34.59% of the net operating income from retail finance and 57.68% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management of the Company was RMB33.750 billion, representing an increase of 30.61% as compared with the previous year and accounting for 56.61% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB19.228 billion from retail bank cards, representing a decrease of 0.85% as compared with the previous year.

Retail customers and total assets under management from retail customers

During the reporting period, the Company took "creating value for our customers" as its original aspiration, integrated online and offline operations, created an open wealth platform, and further enhanced its product innovation and refined management capabilities under the framework of the cyclic extensive wealth management value chain. While realising the unity of customer interests and bank interests, the Company constantly broadened service boundaries, which achieved good results in customer group expansion and operation. The balance of retail customers and total assets under management from retail customers maintained rapid growth.

As at the end of the reporting period, the Company had 173 million retail customers (including debit and credit card customers), representing an increase of 9.49% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 3,672,000, representing an increase of 18.38% as compared with the end of the previous year.

As at the end of the reporting period, the balance of total assets under management from retail customers of the Company amounted to RMB10,759.170 billion, representing an increase of 20.33% as compared with the end of the previous year. Among which, the balance of total assets under management from the Sunflower-level and above customers amounted to RMB8,836.409 billion, representing an increase of 20.30% as compared with the end of the previous year. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB2,168.157 billion, representing an increase of 14.15% as compared with the end of the previous year and continuously ranking first among national small- and medium-sized banks according to data released by the PBOC. During the reporting period, the demand deposits accounted for 70.12% of the daily average balance of deposits from retail customers of the Company. As at the end of the reporting period, a total of 174,000,000 All-in-one Cards had been issued by the Company for retail customers, up by 10.13% as compared with the end of the previous year.

Wealth management

As at the end of the reporting period, the Company had 37,786,600 customers who held wealth products, representing an increase of 29.68% as compared with the end of the previous year. During the reporting period, under the background of market fluctuations throughout the year, the Company took the initiative to actively adjust the asset allocation structure and increase the supply of wealth management products according to the changes in customers' risk appetite. As at the end of the reporting period, the balance of retail wealth management products amounted to RMB3,003.852 billion, representing an increase of 35.48% as compared with the end of the previous year. The Company achieved the sales of non-monetary mutual funds of RMB608.035 billion, representing a decrease of 0.44% as compared with the previous year. The Company recorded RMB415.141 billion in agency distribution of trust schemes, representing a decrease of 11.51% as compared with the previous year mainly due to the fact that the Company took the initiative to adjust the business direction under heightened real estate supervision and the policy background of "Houses are for living in and not for speculative investment" and "Returning to the origin of finance". The Company recorded RMB77.073 billion in premiums from agency distribution of insurance policies, representing a decrease of 8.26% as compared with the previous year. The decrease was mainly due to the Company's active response to regulatory policies, market trends and customer demand, furthering transformation of regular premiums, optimising product structure and increasing the promotion of regular premium business with high-value contribution, which has led to a slow-down in the single premium business with higher contribution in total premium. During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB33.750 billion, among which income from agency distribution of funds amounted to RMB12.795 billion, income from agency distribution of insurance policies amounted to RMB7.976 billion, income from agency distribution of trust schemes amounted to RMB6.910 billion, income from agency sales of wealth management services amounted to RMB5.874 billion and income from agency distribution of precious metals amounted to RMB195 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9 "Net non-interest income" in this chapter.

During the reporting period, under the national goal of firmly promoting the "common prosperity" among all its people, the Company focused on the overall planning of constructing a cyclic extensive wealth management value chain, and gave full play to the advantages of its wealth management professional services and online services, actively promoted the platform of wealth management, assisted customers in achieving asset preservation and appreciation, and made wealth management accessible to ordinary people.

Firstly, the Company enriched online education scenarios for investors by working with partners to enhance the width and depth of customer services, so as to create a new field for the operations of young customers. During the reporting period, 52.21% of the wealth trading customers[16] on the CMB APP were under 35 years old.

Secondly, the Company took the initiative to lower the threshold of wealth management and joined the new era of wealth management together with tens of millions of users. During the reporting period, the Company launched "Zhao Zhao Bao (朝朝寶)", a wealth management service for pocket money that allows users to subscribe using one cent, taking into account the yield and liquidity needs. The Company also built a "Duobao Family (多寶家族)" product series including "Yue Yue Bao (月月寶)", "Ji Ji Bao (季季寶)" and "Ban Nian Bao (半年寶)" to enrich the spectrum of duration varieties for retail customers to choose from.

Thirdly, the Company developed the operation capabilities for hundreds of millions of customers by launching the intelligent wealth management assistant "AI Xiao Zhao (AI 小招)", which aimed to create 24/7 wealth management services "being professional, friendly, intelligent as well as personalised". At the same time, the Network Operation Service Center expanded the managing scope of relationship managers, established deep connection with more customers through traffic management, and upgraded the service experience with the "Advisor Xiao Zhao (小招顧問)", the online wealth manager, which enhanced the efficiency and dimensions of online communication and interaction. "Advisor Xiao Zhao" provided 19,225,600 times of online consultations during the reporting period, representing an increase of 85.85% as compared with the previous year.

16 Refers to the customer group of wealth products (including wealth management, mutual funds, private equity funds, insurance, precious metals, large-denomination certificates of deposit and other products) traded on the CMB APP in the current year.

Fourthly, the Company provided tailor-made professional allocation solutions for customers in different wealth stages and with different risk appetites based on the actual needs of customers. During the reporting period, the Company constructed the "CMB TREE Asset Allocation System (招商銀行TREE資產配置體系)", which divided retail wealth management products into four categories, namely active money management, security management, prudent investment and aggressive investment. Through analysing customers' assets and investment behaviors, the Company formulated a scientific and reasonable "Zhaocai Points (招財分)" scoring system, which, combining with market conditions, provided professional wealth management advices for customers with different wealth attributes.

Private banking

As at the end of the reporting period, the Company had 122,064 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 22.09% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB3,393.904 billion, representing an increase of 22.32% as compared with the end of the previous year; total assets per account amounted to RMB27.8043 million, representing an increase of RMB51,600 as compared with the end of the previous year. As at the end of the reporting period, the Company had 168 private banking centers in 92 domestic cities and 6 overseas cities, and has established a three-dimensional service network for high-net-worth customers.

Against the background of building the cyclic extensive wealth management value chain, the Company focused on the changes in the needs of private banking customers, and shifted to provide more diversified "individual, family, enterprise and society"[17] comprehensive services to private banking customers and their enterprises, in contrast with providing retail services to high-net-worth customers which the Company originally emphasised on. During the reporting period, the Company continued to deepen the transformation and upgrading of the private banking business by utilising its rich resources with the adherence to the concept of "openness and integration". On the basis of steadily promoting the chain-like customer acquisition, the Company further strengthened the business collaboration between departments within the Bank, strengthened business cooperation with subsidiaries and third-party partner institutions, guided public and private resources to continuously promote the development of integrated customer acquisition, and built a more open product platform satisfying the comprehensive and diversified financial needs of customers. In addition, the Company strengthened the management of full-life cycle of products, continuously promoted the construction of the online and digital capability system of private banking, and actively promoted the improvement of business operation efficiency, management efficiency and comprehensive customer service experience.

Credit cards

As at the end of the reporting period, the Company had issued an aggregate of 102.4160 million active credit cards, representing an increase of 2.90% as compared with the end of the previous year, and there were 69.7394 million active credit card users, representing an increase of 4.54% as compared with the end of the previous year. The balance of credit card loans was RMB840.301 billion, representing an increase of 12.55% as compared with the end of the previous year. The percentage of revolving balances of credit cards was 20.90%. During the reporting period, the credit card transactions of the Company amounted to RMB4,763.617 billion, representing an increase of 9.73% as compared with the previous year. Interest income from credit cards amounted to RMB59.645 billion, representing an increase of 5.87% as compared with the previous year. Non-interest income from credit cards amounted to RMB27.109 billion, representing an increase of 3.57% as compared with the previous year.

During the reporting period, the Company continued to optimise its customer base and asset structure of the credit card business, adhered to the principle of risk prudence, strictly implemented the asset classification policy which classified all credit card loans overdue for more than 60 days as non-performing loans. At the same time, the Company strengthened the collection efficiency and stabilised the risk level in 2021. During the reporting period, RMB29.206 billion of new non-performing loans were formed from credit cards, representing a decrease of RMB3.235 billion as compared with the previous year. As of the end of the reporting period, the non-performing ratio of credit card loans was 1.65%, down by 0.01 percentage point as compared with the end of the previous year. During the reporting period, the Company's credit card business was transformed into a "stable and low-volatility" business model. The proportion of low– and medium-risk assets continued to increase, forming a more reasonable and robust portfolio structure with assets in the range of high, medium and low interest rates so as to achieve double-digit growth in loan scale while maintaining asset quality. In the future, the Company will continue to deepen the transformation through constantly optimising the customer base structure and asset structure, consolidating its business foundation and strengthening the resilience of its portfolio, so as to realise the dynamic and balanced development of "quality, efficiency and scale" in the credit card business.

[17] "Individual, family, enterprise and society" specifically refers to the needs of individuals, families, enterprises and the society.

During the reporting period, the Company adhered to an innovation-driven and technology-driven approach, and promoted the upgrading of products and services from the perspective of customers. In particular, firstly, the Company continuously optimised the customer base structure, reconstructed the customer acquisition combination model of credit card business. At the same time, it constructed a young customer acquisition and operation system by gaining insight into the needs of young customers and launching the "FIRST Graduate Credit Card" for college graduates. Secondly, it continuously improved the customer payment experience by developing functions such as "One-click Binding (一鍵綁卡)" and "One-click Withdrawal (一鍵提額)". At the same time, online transaction operation was intensified. Through activities such as "Cashback Rebate (筆筆返現)" and "10 Yuan Storm (十元風暴)", the Company was able to mobilise a sizeable customer base in a continuous and efficient way. Thirdly, the Company promoted key behaviors of new customers such as card activation, binding and first payment with credit card based on the full-life cycle of users, and in combination with the scenarios of meal coupons and movie tickets, launched the "two-coupon gift (兩票見面禮)" product integrating customer acquisition and operation. Fourthly, the level of intelligent services was enhanced. The Company adhered to a decentralisation strategy of service interaction by taking technology as the driving force, to precisely match customer needs, flexibly connect service channels, and comprehensively improve service interaction efficiency, experience as well as value. In addition, the Company further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channels" in this chapter.

Retail loans

As at the end of the reporting period, the total retail loans of the Company amounted to RMB2,941.020 billion, representing an increase of 11.24% as compared with the end of the previous year and accounting for 56.00% of the Company's total loans and advances to customers, up by 0.11 percentage point as compared with the end of the previous year. Among which, the total amount of the Company's retail loans (excluding credit card loans) reached RMB2,100.767 billion, representing an increase of 10.72% as compared with the end of the previous year, accounting for 40.00% of total loans and advances to customers of the Company and representing a decrease of 0.11 percentage point as compared with the end of the previous year.

As to business development, during the reporting period, the Company actively implemented the requirements of the national real estate loan concentration management and regional real estate control policies, supported the residents' reasonable needs for their own homes, so as to realise the sound development of housing mortgage loan business. At the same time, while making efforts to control and manage risks and maintaining stable asset quality, the Company took the initiatives to adjust the business structure by increasing the loans to small- and micro-sized enterprises and consumer finance business. With respect to the micro-finance loans business, the Company relied on Fintech to explore product and service innovation, continuously improved the level and efficiency of financial services for small- and micro-sized enterprises for better financial support to the real economy. As to consumer loan business, the Company strictly controlled the use of capital, carefully identified quality customers and met the demand on consumer financing in a reasonable manner. As at the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,364.518 billion, representing an increase of 7.92% as compared with the end of the previous year. The balance of micro-finance loans amounted to RMB560.565 billion, representing an increase of 18.13% as compared with the end of the previous year. The balance of consumer loans amounted to RMB155.984 billion, up by 31.14% as compared with the beginning of the year. As at the end of the reporting period, the Company had 9,789,300 retail loan (excluding credit card loans) customers, representing an increase of 21.17% as compared with the end of the previous year. The rapid expansion of customer base was mainly attributable to the light model of customer acquisition through online platform.

As to the quality of assets, during the reporting period, the Company managed to maintain a stable asset quality for retail loans by constantly optimising its strategies for risk management. In view of the severe and complex external market environment, the Company further strengthened the post-loan management and tightened the asset classification standards. Firstly, the loan overdue for more than 60 days was downgraded to non-performing loan. Secondly, for borrowers with overdue or other risk signals within and outside the Bank, all their loans in the Company were further adjusted to special-mentioned loans in strict accordance with regulatory requirements. As at the end of the reporting period, the balance of the special-mentioned retail loans (excluding credit card loans) of the Company amounted to RMB7.375 billion, of which the balance of non-overdue loans accounted for more than 70%. The increase in the amount of special-mentioned loans was mainly affected by the increase in the amount of non-overdue loans, while the downgrade rate of special-mentioned loans into non-performing loans remained in a downward trend. The special-mentioned loan ratio was 0.35%, up by 0.18 percentage point as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans (excluding credit card loans) amounted to RMB10.238 billion, and the non-performing loan ratio was 0.49%, which was basically the same as that at the end of the previous year. Among which, the non-performing ratio of micro-finance loans was 0.62%, down by 0.01 percentage point as compared with the end of the previous year; the non-performing ratio of consumer loans was 1.02%, down by 0.21 percentage point as compared with the beginning of the year. Excluding credit cards, the mortgage and pledged loans accounted for 77.86% of the Company's new non-performing retail loans formed during the reporting period, the mortgage and pledge rate of above mortgage and pledged loans as at the end of the reporting period was 31.69%. Given that the vast majority of such new non-performing retail loans were fully secured by collaterals, the risk was under control.

As to risk management, the Company continued to strengthen the construction of risk control system, while taking into account of the differentiation of regional and industrial economic situation, so as to effectively improve risk management capabilities. Firstly, in terms of customer group selection, the Company insisted on standing in stable industries and preferentially selecting high-quality customers with a job and income as the major business targets and focused on areas with rapid economic development. Secondly, in terms of construction of quantitative risk control capability, the Company realised the rapid iteration of machine learning model through iterative decision-making platform and model platform, enhanced the application efficiency in business scenarios in order to promote the coverage of the risk models to all processes and all products. Thirdly, in terms of post-loan management capabilities, while constantly improving the level of digital post-loan management, the Company strictly controlled the fund flow of loans, implemented full-life cycle quantitative risk monitoring and classified management for customers, so as to ensure stable asset quality and compliance in the use of funds.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB61.354 billion, representing an increase of 20.85% as compared with the previous year. The net operating income from wholesale finance of the Company was RMB131.140 billion, representing an increase of 12.35% as compared with the previous year, and accounting for 43.14% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB87.397 billion, representing an increase of 7.80% as compared with the previous year, and accounting for 66.64% of the net operating income of wholesale finance; the net non-interest income of wholesale finance amounted to RMB43.743 billion, representing an increase of 22.71% as compared with the previous year, and accounting for 33.36% of the net operating income of wholesale finance business, and 41.15% of the net non-interest income of the Company.

Wholesale customers

The Company has established the corporate customer service system featuring segmentation and classification-based management, as well as professional and dedicated management in respect of strategic customers, institutional customers, financial institution customers, cross-border customers, Qian Ying Zhan Yi (千鷹展翼) customers and basic customers. During the reporting period, the Company continued to focus on professional operations of strategic customers of the Head Office and branches, acquisition of high-quality corporate customers and in-depth operations of existing customers. As at the end of the reporting period, the total number of corporate customers of the Company was 2,317,100. The number of newly acquired corporate customers during the reporting period was 381,600, contributing daily average deposits of RMB200.514 billion, among them, 22,900 newly acquired corporate depositors contributed daily average deposit of more than RMB500,000, and such increase achieved a new high.

In terms of strategic customers under the Head Office, the Company optimised and upgraded the service model for strategic customers under the Head Office by mobilising resources across the Bank, deepening the overall awareness on customers and their industries through systematic operations of the enterprise itself, its industrial chain and investment chain, achieving breakthroughs in operations, and ultimately achieving the optimisation of customer structure of the Bank. As at the end of the reporting period, the number of the strategic customers under the Head Office of the Company was 326[18], increasing by 38 as compared with the end of the previous year; the balance of daily average proprietary deposits amounted to RMB979.145 billion, increasing by 19.71% as compared with the beginning of the year; the balance of general loans amounted to RMB832.539 billion, increasing by 15.58% as compared with the beginning of the year. As for branch-level strategic customers, the Company established an account management system and a supply chain business system to effectively acquire customers in batches and promote the in-depth operations of branch-level strategic customers. As at the end of the reporting period, the Company had 6,874[19] branch-level strategic customers, increasing by 732 as compared with the end of the previous year. The daily average balance of the proprietary deposits amounted to RMB594.515 billion. The balance of general loans amounted to RMB274.589 billion.

With regards to its institutional customers, the Company actively served national ministries and commissions such as finance, human resources and social security, housing and development, healthcare security, ecological environment and customs, participated in promoting the construction of information platforms, and strove for breakthroughs in the qualifications of Head Office-to-Head Office cooperation. In response to the needs of local governments, the Company provided comprehensive services of "financing of capital + financing of intelligence + financing of technology (融資+融智+融科技)", assisted in solving practical problems such as government financing, housing security, labor security, low-carbon environmental protection and convenient household affairs, and seized the opportunity of low-cost financial capital retention and traffic acquisition. During the reporting period, among the special debts issued nationwide, projects served by the Company amounted to RMB1.42 trillion, with a coverage rate of 39.58%, the Company's market share for special debts reached a new high, and retained deposits of RMB665.939 billion via capital for bond issuance. At the same time, taking the special debts service as an opportunity, the Company explored regional investment and financing planning and research consulting services for local governments, and participated in the implementation of major regional projects. It exported Fintech capabilities to industry authorities, solving technical pain points and improving user experience, and continued to deepen the construction and promotion of convenience service platforms, with branch coverage of social security, healthcare security and provident fund inquiry scenarios exceeding 50%. The Company has set up occupational annuity inquiry scenarios in four provinces, so as to "let the people run fewer errands (讓民眾少跑路)" while attracting more high-quality retail customers. Taking China Merchants Group's "trillion pension platform (萬億養老金平台)" as an opportunity, the Company opened up the "client-side, asset-side and capital-side" of pension business, and helped speed up the positioning of "One Body with Two Wings (一體兩翼)" flywheel. Our entrusted annuity and annuity account management licenses have been reviewed by the national authority. As at the end of the reporting period, our entrusted enterprise and occupational annuities amounted to RMB138.234 billion, and the number of enterprise annuity accounts under management reached 2,088,800. During the reporting period, the Company had 43,100 institutional customers, with an average daily deposit balance of RMB967.570 billion.

With regards to its financial institution customers, on the basis of understanding the industry attributes and clarifying customer profiles, the Company included its financial institution customers into the Company's ecosystem of cyclic value chain of extensive wealth management. While improving financial value, the Company focused more on the platform value of financial institution customers, made full use of the professional capabilities of financial institution customers to serve the Bank's strategy, so as to more effectively support the development of retail and corporate businesses.

With regards to its cross-border customers, returning to the origin of serving customers, the Company leveraged on our advantages of full licenses on providing services to NRA, FTN and OSA accounts, innovatively designed product portfolio from the perspective of customers, provided full life-cycle service plans for domestic and overseas markets, and further strengthened the flywheel linkage of internal and external ecological partners through the online product system covering settlement, trading and financing, with a view to creating a cross-border business service platform on the cyclic value chain of extensive wealth management and improving the Company's comprehensive service capabilities and differentiated competitive advantages. As at the end of the reporting period, the Company had 74,553 corporate customers in respect of international settlement, representing a year-on-year increase of 14.36%.

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18 The number of strategic customers under the Head Office is that of the group customers as the strategic customers under the Head Office served by the Company.

19 The number of branch-level strategic customers is that of the corporate customers as the branch-level strategic customers served by the Company.

With regards to its Qian Ying Zhan Yi (千鷹展翼) customers, focusing on customer needs, the Company integrated various service resources, upgraded the services for Qian Ying Zhan Yi customers, and provided customers with multi-dimensional services such as "talent management + capital support + industry integration" based on digital services, striving to improve the full life cycle, differentiated and comprehensive service capabilities for Qian Ying Zhan Yi customers, and continuously deepen the acquisition of Qian Ying Zhan Yi customers and operation. The Company participated in and supported the 10th China Innovation & Entrepreneurship Competition (第十屆中國創新創業大賽) by joining hands with the Torch Center of the Ministry of Science and Technology (科技部火炬中心), the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Beijing Stock Exchange to provide high-quality financial services for participating enterprises. At the same time, focusing on customers of to-be-listed enterprises, the Company worked with stock exchanges, governments, intermediaries, private equity and other listing service ecological partners to provide customers of to-be-listed enterprises with comprehensive service solutions covering ICPT from multiple dimensions such as "channel + product + service". As at the end of the reporting period, the number of Qian Ying Zhan Yi customers of the Company reached 31,713.

With regards to its basic customers, the Company created an online and offline integrated service model based on "AI + manual", with the middle-office of the Head Office and branches as the main guide and data-driven as the core, to provide digital operation services for millions of small-, medium- and micro-sized enterprise customers. During the reporting period, the Company served 18,290,000 customers through various online channels, which effectively improved its efficiency of customer service. As at the end of the reporting period, the Company had 978,400 corporate customers for withholding transactions, representing an increase of 118,400 customers over the end of the previous year. During the reporting period, the transaction amount was RMB1.50 trillion, representing a year-on-year increase of 42.83%.

Corporate loans

As at the end of the reporting period, total corporate loans of the Company amounted to RMB1,882.161 billion, representing an increase of 7.00% as compared with the end of the previous year and accounting for 35.84% of total loans and advances to customers of the Company, representing a decrease of 1.34 percentage points as compared with the end of the previous year. Among them, the balance of the medium- and long-term loans to domestic enterprises amounted to RMB1,229.548 billion, representing an increase of 21.40% as compared with the end of the previous year and accounting for 68.68% of the total loans to domestic enterprises, representing an increase of 6.59 percentage points as compared with the end of the previous year. The non-performing loan ratio of our corporate loans was 1.31%, representing a decrease of 0.38 percentage point as compared with the end of the previous year; the weighted average default probability of the risk exposure of the domestic non-defaulting corporate customers was 0.72%, down by 0.02 percentage point as compared with the end of the previous year. The quality of corporate loan assets was stable.

Since the underlying data is subject to adjustment or elimination as a result of change in classification of certain enterprises after they have grown larger in scale at the beginning of the year, the caliber of our large-, medium- and small-sized enterprises business at the beginning of the year was adjusted as compared to the end of the previous year. As at the end of the reporting period, the balance of the Company's loans granted to domestic large-sized enterprises amounted to RMB1,557.580 billion, representing an increase of 9.72% as compared with the beginning of the year, and accounting for 87.00% of our total loans granted to domestic enterprises, down by 0.02 percentage point as compared with the beginning of the year; the non-performing loan ratio was 1.28%, down by 0.37 percentage point as compared with the beginning of the year. The balance of the Company's loans granted to domestic medium-sized enterprises amounted to RMB104.505 billion, representing a decrease of 21.51% as compared with the beginning of the year, and accounting for 5.84% of our total loans granted to domestic enterprises, down by 2.32 percentage points as compared with the beginning of the year; the non-performing loan ratio was 3.44%, down by 0.07 percentage point as compared with the beginning of the year. The balance of the loans granted to domestic small-sized enterprises amounted to RMB128.135 billion, representing an increase of 63.09% as compared with the beginning of the year, and accounting for 7.16% of our total loans granted to domestic enterprises, up by 2.34 percentage points as compared with the beginning of the year; the non-performing loan ratio was 0.74%, down by 0.94 percentage point as compared with the beginning of the year.

During the reporting period, the Company actively responded to the national policy orientation, steadily optimised the corporate loan structure, focused on strengthening financial support and investment in high-quality manufacturing, green economy, strategic emerging industries and other fields, and continued to pay attention to business opportunities such as mixed ownership reform of state-owned enterprises and refinancing of listed companies. At the same time, for key regulated and control areas such as real estate and local government financing platforms, the Company strictly implemented loan granting control in accordance with regulatory guidelines. As at the end of the reporting period, the balance of loans to manufacturing of the Company was RMB320.060 billion, representing an increase of RMB45.380 billion as compared with the end of the previous year and accounting for 17.00% of the total corporate loans of the Company; the balance of green loans[20] of the Company was RMB263.842 billion, representing an increase of RMB55.254 billion as compared with the beginning of the year and accounting for 14.02% of the total corporate loans of the Company; the balance of loans to strategic emerging industries was RMB219.154 billion, representing an increase of RMB47.739 billion as compared with the end of the previous year and accounting for 11.64% of the total corporate loans of the Company. For further details of loans extended to the sectors which are subject to the strict regulation of the nation, such as the real estate industry and the local government financing platforms, please refer to section 3.9.

During the reporting period, focusing on the operation scenarios of strategic customers and institutional customers, the Company expanded the upstream and downstream ecosystem, built digital processes and intelligent risk control through data connection and risk modeling, improved online, automatic level and risk control capabilities of the entire product process, and created a digital financing product system for small- and medium-sized enterprises with "channel, scenario and online". Going deep into the industry, we created a new model of vertical supply chain for the industry, and provided data financing innovation services for customers in the automobile industry supply chain through our "Zhang Quan Chi (賬權池)" product, realising digitisation of scenario interaction, online operation process and intelligent risk control. In the meantime, the Company provided data financing innovation services for customers in the new retail industrial chain through "Shang Chao Dai (商超貸)", creating an easy-to-operate online business process which may grant loans on the day of account opening. Focusing on government procurement, export tax rebate, medical insurance settlement and other scenarios, the Company iteratively optimised our "Zheng Cai Dai (政採貸)" and "Tuishui Kuaidai (退稅快貸)" products, and developed medical insurance scenarios with "Yi Bao Dai (醫保貸)". We continued to optimise the credit business process, and realised functions such as online credit authorisation, registration of companies and natural persons through mobiles, collateral and evaluation, and initiation of rating to improve customer experience.

The main purpose of the Company's syndicated loan business is to enhance interbank cooperation and information sharing, and to spread the risks associated with large-amount loans. As at the end of the reporting period, the balance of syndicated loans of the Company amounted to RMB304.358 billion.

Bill business

During the reporting period, the Company continued to consolidate the customer base of bill business. Focusing on the key products of bill business, it optimised processes and innovated products with customer experience as the core, further strengthening its digital inclusive financial service capabilities.

The first was to continuously consolidate the customer base, with the main business indicators ranking among the top in the market. During the reporting period, the Company had 140,878 customers of bill business, representing a year-on-year increase of 20.80%, and its bills direct discounting business amounted to RMB1,250.787 billion, representing a year-on-year increase of 6.14%, ranking second in the market in terms of business volume (data from the China Banking Association). In particular, the Company had 18,036 customers of bills online discounting business, representing a year-on-year increase of 19.27%. Micro-, small- and medium-sized enterprise customers accounted for 94%. At the same time, the operations of supply chain customers of the Company were effective, and the commercial acceptance bill discounting business showed a good developing trend. During the reporting period, the volume of commercial acceptance bill discounting business of the Company amounted to RMB186.120 billion, representing a year-on-year increase of 76.10%, with a market share of 15.28% (data from Shanghai Commercial Paper Exchange Corporation Ltd.), representing a year-on-year increase of 5.05 percentage points. Our volume of commercial acceptance bill discounting business ranked first in the market (data from the Commercial Bank Bill Business Association). As at the end of the reporting period, the bill discounting balance of the Company amounted to RMB429.105 billion, representing an increase of 31.03% from the end of the previous year.

20 According to the statistics of the special statistical system for green loans of the PBOC, and with the figures at the beginning of the year adjusted on the same basis.

During the reporting period, the Company continued to strengthen the integrated trading and investment research mechanism of the Head Office and branches and transactions regarding discounted bills transferred to other financial institutions, which further enhanced the stickiness of our financial institution customers. The discounted bills transferred to other financial institutions amounted to RMB1,248.831 billion, representing a year-on-year growth of 28.07%, ranking second in the market in terms of business volume (data from the China Banking Association).

The second was to continuously implement the bill rediscounting monetary policy of the PBOC, actively support corporate financing through rediscounting to accurately drive the real economy. Affected by the policy that the proportion of bill rediscounting conducted by the PBOC for local legal person financial institutions shall not be less than 50%, the business volume of bill rediscounting in various regions of the Company, being a national joint-stock bank, has been restricted. During the reporting period, the business volume of bill rediscounting amounted to RMB177.189 billion, representing a year-on-year decrease of 8.17%. As at the end of the reporting period, the bill rediscounting balance of the Company amounted to RMB65.413 billion, the market share of which ranked first in the industry (data from the China Banking Association).

Corporate customer deposits

During the reporting period, the Company focused on the capital opportunities of key businesses in the market to organise for the acquisition of high-quality customers emphasising on both quantity and quality, and realised stable growth in corporate deposits. As at the end of the reporting period, the balance of corporate customer deposits amounted to RMB3,944.520 billion, representing an increase of 12.43% as compared with the end of the previous year; the daily average balance amounted to RMB3,765.840 billion, representing an increase of 12.02% as compared with the previous year; the demand deposits accounted for 62.29% of the balance of the daily average deposits from our corporate customers, up by 4.89 percentage points as compared with the previous year. During the reporting period, the average cost ratio of deposits from corporate customers was 1.62%, down by 13 basis points as compared with the previous year.

Transaction banking business

During the reporting period, the Company focused on the full-cycle fund settlement management of enterprise operations, creating an operation model featuring segmentation and classification of customers and establishing a transaction banking product and service system from the perspective of customers.

Focusing on the large-scale payment collection business, the Company served enterprises with whole-process fund settlement management. During the reporting period, the Company had 972,700 active customers for corporate collection, with a collection amount of RMB75.49 trillion, representing a year-on-year increase of 16.20% and 21.50%, respectively. In order to enhance the Company's competitiveness in fund settlement management and improve the unpleasant experience of repeated system connections, overlapping of product functions and repeated redirection due to the dispersion of traditional payment collection products, the Company integrated multiple key fund settlement channels such as aggregated collection, All-in-one Net Payment (一網通支付), Transaction Keeper (交易管家), CMB APP, CMB Corporate APP, Cloud Bill (雲賬單), etc., to create an omni-channel online and offline fund settlement product for sales management, B-end (business) and C-end (customer) payment collection management, fund management and payment management – "Corporate Cashier (企業收銀台)". During the reporting period, the transaction amount of Corporate Cashier amounted to RMB2.13 trillion, representing a year-on-year increase of 130.61% as compared with the total transaction amount of various settlement channels before the integration.

The Company continued to strengthen the export of financial technology, focused on the digital transformation and upgrading of industrial chain and enterprise customers, and created differentiated competitive advantages in the field of "enterprise service + financial service". Based on its own experience in the process of digital transformation, the Company created corresponding products with its financial technology capabilities, thereby forming a competitive advantage of "offering our customised services and having edge over the peers to achieve the integration of business and finance (人無我有，人有我優，業財一體化)" in aspects such as corporate financial management, contract order management, employee connections, invoice management and account reconciliation. Based on "CBS+" treasury management open platform, the Company created a full ecological chain of enterprise services, improved the platform's connectivity through super direct application, and created products such as Invoice Cloud (發票雲) and electronic contract signing (電子簽約), so as to serve the collaborative needs of upstream and downstream industries. At the same time, sales cloud (銷售雲), equity incentives, cloud reconciliation (雲對賬) and other products were used to solve the pain points of digital transformation for enterprises in key scenarios such as sales, employee incentives and reconciliation. During the reporting period, the Company provided "CBS+" treasury management open platform services to 3,815 group customers. The number of companies under the treasury management reached 144,900, representing a year-on-year increase of 41.78%. During the reporting period, the number of transactions of various accounts under the treasury management reached 42.1913 million, representing a year-on-year increase of 58.96%. As at the end of the reporting period, the number of contracted customers on Invoice Cloud was 106,457, increasing by 845.61% as compared with the end of the previous year. The number of customer invoices under management was 12.3560 million, increasing by 217.01% as compared with the end of the previous year.

Through innovation of trade financing products and online basic financing products, the Company solved the pain points of enterprises while improving customer experience. Firstly, through the combined marketing plan of "factoring + bills", we solved the problem regarding the difficulty in collecting payments from small- and medium-sized enterprises along the supply chain under the scenario of credit sales + bill settlement. During the reporting period, the volume of supply chain financing business amounted to RMB612.008 billion, representing a year-on-year increase of 49.75%. Secondly, we launched "Shan Dian Yi Fu (閃電議付)" for domestic letter of credit to realise online automatic negotiated payment financing, and the business processing time was shortened from 2 days to 15 minutes. Thirdly, we comprehensively improved the function of electronic letter of guarantee. Following the launch of the full-margin electronic letter of guarantee, the Company upgraded it and launched the 2.0 version of "Instant Issuance of Letter of Guarantee (保函閃電開)" to achieve online opening of bid guarantee under bank credit. During the reporting period, the business volume of domestic letter of guarantee amounted to RMB124.605 billion, representing a year-on-year increase of 32.67%. Fourthly, relying on big data technology and advantages, we made use of enterprise transaction data such as transfer and remittance and invoice in the supply chain, combined them with credible data from the government regarding taxation and social security, etc., and launched data financing products to further solve financing difficulties of small- and medium-sized enterprises. During the reporting period, the business volume of the Company's domestic trade financing amounted to RMB776.644 billion, representing a year-on-year increase of 29.26%.

Cross-border finance business

During the reporting period, the Company integrated service resources, centralised the management of cross-border business and offshore business and other international financial businesses, and continued to build a comprehensive cross-border finance service system, providing customers operating globally with a "resident + non-resident" package of comprehensive finance services. As at the end of the reporting period, the Company's corporate international settlement amounted to USD369.854 billion, representing a year-on-year increase of 44.75%. The business volume of foreign exchange settlement and sales of corporate customers amounted to USD157.574 billion, representing a year-on-year increase of 32.88%.

The Company gave full play to the advantages of full-license service for three types of non-resident accounts, and innovatively design product solutions. Through the two-wheel drives of "residents + non-residents", "online + personalisation", "recurring projects + capital projects", "investment banking + commercial banking" and others, the Company further strengthened the flywheel linkage of internal and external financial ecological partners, and formulated full life-cycle service plans covering domestic and overseas markets.

The Company strove to build a cross-border product system, and continued to increase investment in order to improve the digital service capabilities of cross-border finance services, thereby forming an online product system covering settlement, transaction and financing. During the reporting period, the Company completed the optimisation of 47 function points such as outbound remittance for online corporate banking, full margin deposit online and capital project digitisation, and obtained the exclusive pilot qualification for digital services for capital projects. By conducting research and development and system construction for a number of deposit products in local and foreign currencies, the Company further improved its cross-border deposit product system.

At the same time, the Company continued to strengthen the anti-money laundering compliance construction for cross-border finance, deeply practice the concept of compliance leading the healthy development of business, and establish and improve the "risk-oriented" management system. The Company focused on promoting the end-to-end process optimisation of anti-money laundering for international business from the two directions of "full-process online" and "comprehensive integration", and emphasised on anti-money laundering system construction, money laundering risk assessment, anti-money laundering publicity and education, etc., thereby building a solid line of defense for compliance.

Investment banking business

During the reporting period, the Company focused on key customer groups, made every effort to build a systematic service capability for the capital market around the cyclic value chain of extensive wealth management, strengthened the concept of "risk control first", and emphasised on bond underwriting, M&A financing and various innovative businesses, with a view to building an investment banking business ecosystem and promoting the steady development of its investment banking business.

With respect to its bond underwriting business, the Company strove to build an all-round service system for bond issuance enterprises to achieve growth in both quantity and quality of business. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB746.416 billion, ranking third in the industry (data from the National Association of Financial Market Institutional Investors). At the same time, the Company actively responded to the national requirements for energy conservation and emission reduction, and supported rural development and construction. During the reporting period, the first batch of debt financing instruments involving various related fields were launched nationwide.

With respect to its M&A financing business, the Company organised credit assets focusing on the needs of high-quality listed companies, state-owned enterprises and other key customers for industrial integration, mergers and acquisitions and restructuring. During the reporting period, the overall scale of the M&A market decreased year-on-year, but the Company's M&A business continued to grow, with remarkable results in syndicated distribution, that the Company achieved M&A financing of RMB203.636 billion, representing a year-on-year increase of 28.53%. Focusing on the complex business needs of the capital market, the Company implemented 200 M&A financing projects throughout the year, including a series of high-profile M&A projects, which enhanced the influence of the Company in the M&A market.

With respect to its corporate wealth management business, the Company has built a comprehensive service system including asset allocation and investment advisory for "cash cow (現金牛)" enterprises. In response to the needs of wealth management corporate customers, the Company has created a full-chain service system covering pre-sale service, in-sale service and after-sale service. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB425.286 billion, representing a year-on-year increase of 19.09%. The number of customers was 70,400, representing a year-on-year increase of 7.48%.

With respect to its market transactions (matching services) business, leveraging the respective strengths of various licensed financial institutions in the market, the Company strove to build a circle of friends for market transaction funding parties, continued to create an open and integrated investment and financing matching model, and provided integrated and multi-channel solutions for the diversified and complex business needs of its customers. During the reporting period, the business scale of market transactions (matching services) of the Company amounted to RMB307.629 billion, representing a year-on-year increase of 40.65%.

Financial institution business

With respect to its financial institution asset and liability business, the Company continued to deepen the operations of financial institution customers, and actively expanded low-cost high-quality financial institution liabilities based on the cyclic value chain of extensive wealth management and the needs of liquidity management of the Bank. During the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB748.460 billion, representing a year-on-year increase of 24.41%. Among them, the daily average balance of financial institution demand deposits from fund clearing, settlement and depository service amounted to RMB618.904 billion, representing a year-on-year increase of 23.72%.

With respect to its depository service, the Company's security and future margin depository services were in stable operation, with third-party depository services extending to 104 securities companies and 14,235,900 customers secured at the end of the reporting period. In addition, the Company entered into cooperation with 88 securities companies on margin trading and short selling business, securing 513,100 customers at the end of the reporting period. Also, the Company entered into cooperation with 58 securities companies on stock options business, securing 40,800 customers at the end of the reporting period, and entered into cooperation with 138 future companies on fund transfer, securing 301,900 customers at the end of the reporting period.

With respect to interbank clearing, as at the end of the reporting period, there were 255 customers which participated indirectly through the Company in the RMB Cross-border Interbank Payment System (CIPS), ranking first among all small- and medium-sized banks in China and second in the industry (according to the data released by the CIPS).

With respect to the businesses on interbank online service platform, through the interbank online service platform "Zhao Ying Tong (招赢通)", the Company provided financial institutions with online sales and trading services of various products and assets throughout the market, creating a cooperation ecosystem among financial institutions. As at the end of the reporting period, the number of financial institution clients on the "Zhao Ying Tong" platform of the Company reached 2,973, and during the reporting period, the online business volume amounted to RMB1,588.691 billion, increasing by 43.45% as compared with the end of the previous year.

Asset management business

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CMB International Capital and CIGNA & CMAM, all being subsidiaries of the Company, amounted to RMB4.31 trillion[21], representing an increase of 14.92% as compared with the end of the previous year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.78 trillion[22], representing an increase of 13.47% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.35 trillion, representing an increase of 16.70% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB97.4 billion, representing an increase of 11.76% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB85.3 billion, representing an increase of 41.35% as compared with the end of the previous year.

During the reporting period, CMB Wealth Management solidly advanced various tasks. **In terms of promoting business transformation**, firstly, it complied with regulatory requirements to complete the rectification plan for the transition period of the New Regulation on Asset Management. As at the end of the reporting period, the balance of new products[23] was RMB2.60 trillion, representing an increase of 56.63% as compared with the end of the previous year, and accounting for 93.53% of the balance of wealth management products, up by 25.77 percentage points as compared with the end of the previous year. The remaining old products were used to take up case assets that had been approved by the regulatory authorities. In the future, CMB Wealth Management will monitor the assets in accordance with the disposal plan and complete the disposal of case assets in a steady and orderly manner through various methods. Secondly, in accordance with the requirements of the Notice on Standardising the Management of Cash Management Wealth Management Products (the "New Cash Regulations"), CMB Wealth Management carried out the transformation of cash products. The average duration of assets was reasonably reduced, and customers were guided to increase the allocation of non-cash products. It is expected that cash products will achieve steady transformation after the transition period of the New Cash Regulations. **In terms of improving its risk management**, CMB Wealth Management strengthened the review of key industries and large customers, improved the concentration risk control of single credit entity, strengthened the compliance risk assessment of new products and new business strategies, formulated market risk emergency plans for wealth management products, and improved its efficiency and capability to respond to market risk emergencies. **In terms of enriching its product system**, CMB Wealth Management focused on customer needs to create wealth management products with distinctive features. The scale of fixed income+, multi-asset and equity products grew steadily. At the same time, it continued to deepen the cooperation with JPMorgan Asset Management (Asia Pacific) Limited. Leveraging their respective advantages in fixed income and global equity investment, both parties jointly issued four products.

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21 The total asset management business of China Merchants Fund and CMB International Capital include the data of their subsidiaries.

22 The balance is the sum of customers' principal in the off-balance sheet wealth management products and the changes in net value of net-value products as at the end of the reporting period.

23 New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

During the reporting period, China Merchants Fund further improved its investment and research capabilities, deepened customer operations, enriched product layout, and strengthened risk compliance protection. Its business development achieved "steady progress", and its scale of asset management increased rapidly. Among which, the scale of its non-monetary mutual funds reached RMB548.345 billion, representing an increase of 55.40% as compared with the end of the previous year. **In respect of strengthening the construction of its investment and research system**, China Merchants Fund established the investment and research value of "duty, dedication and openness" and set up an industrial chain team to promote the transformation from in-depth research to investment. **In respect of serving customers through multiple channels**, during the reporting period, the scale of newly issued products of China Merchants Fund exceeded RMB a hundred billion. China Merchants Fund created the "Rui (瑞)" series funds of fixed income + brand, and cultivated tens of millions of customers of China Merchants Fund by strengthening the operational advantages of its Internet platform. While strengthening the professional service capabilities of its institutional business, its pension business continued to develop well. **In respect of improving the layout of products**, China Merchants Fund took into account market demand, characteristic tracks and balanced strategies in order to improve the layout of its mutual fund products, launching the first batch of innovative products such as STAR & CHINEXT 50 (科創創業 50), Public MOM (公募 MOM) and Enhanced ETF (增強型 ETF). At the same time, China Merchants Fund focused on promoting its public REITs business, and won 5 new projects during the reporting period. At the same time, it actively carried out pilot fund investment advisory business and obtained the qualification for pilot investment advisory business in June 2021. **In respect of strengthening its risk control and compliance protection**, China Merchants Fund continued to sort out risk indicators in key areas, carried out risk map construction, while improved its risk identification and early warning capabilities, and strengthened liquidity risk monitoring of key funds. There were no major risk compliance incidents occurred during the reporting period.

During the reporting period, CMB International Capital actively gave full play to its professional ability of asset organisation, proactively integrated into the cyclic value chain of extensive wealth management, upgraded the linkage mechanism of investment banking and commercial banking, and further broadened the access channels for high-quality projects and investors, continuously expanding the brand effect among different types of customers at home and abroad. **In respect of domestic equity investment fund business**, the investment efficiency and industry influence continued to improve. During the year, there are 7 new domestic and overseas listed projects, and the investor structure continued to be optimised. CMB International Capital was ranked 5th in the "2021 Top 100 Private Equity Investment Institutions in China (2021年中國私募股權投資機構100強)" by Zero2IPO. **In respect of the overseas asset management business**, the medical innovation series funds, fixed-income FOF funds, debt series funds and other products of CMB International Capital all realised gains against the market volatility in Hong Kong's capital market. Bond grading funds, Fintech funds, consumer equity funds, special opportunity funds, new growth driver funds and other diversified products have improved the service ability to comprehensively allocate assets for customers, driving the further optimisation of customer structure.

Since its commencement on 18 October 2020, CIGNA & CMAM has taken into account the characteristics of insurance asset management business and the resource endowment of its shareholders to seize the strategic opportunities of the cyclic value chain of extensive wealth management and determine the company's position as a stable long-term capital management institution. The two core capabilities of "large-scale asset allocation and comprehensive risk management" gave full play to the advantages of long-term capital investment and the creation of differentiated insurance bond investment banking products, fully integrating into the Group's flywheel. During the reporting period, firstly, it carried out the entrusted management by focusing on the main business of CIGNA & CMB Life Insurance, achieved the investment objectives, and helped CIGNA & CMB Life Insurance improve investment returns with professional investment, thereby feeding back to the product creation. Secondly, it centered around the asset allocation demand for insurance funds and pension funds, focused on promoting long-term asset organisation, and proactively carried out investment and financing business cooperation with the Head Office and branches of the Company and other subsidiaries of the CMB, thereby driving the flywheel of asset organisation with long-term capital investment.

Asset custody business

As at the end of the reporting period, the balance of assets under custody of the Company was RMB19.46 trillion, representing an increase of 21.25% compared to the end of the previous year, and maintained second in the domestic custody industry in terms of scale of custody and ranked first in terms of increment according to the data released by the China Banking Association. During the reporting period, the Company realised a custodian fee income of RMB5.396 billion, representing a year-on-year increase of 28.02%.

During the reporting period, the Company's custody business achieved both the scale of operation and quality of income. While continuing to optimise the business structure and making key breakthroughs in innovative products, the Company continued to deepen the operations of custody customers, improve the capability of custody customer acquisition and comprehensive service and improve its custody risk management system, thereby operating the custody business of the Bank in a safe and stable manner.

Firstly, the Company continued to optimise its business structure, and improve the proportion of key businesses as well as its industry rankings. As at the end of the reporting period, the scale of custody of mutual fund amounted to RMB1.97 trillion, representing an increase of 44.27% as compared with the end of the previous year, and its proportion in the custody business of the Bank increased by 1.61 percentage points as compared with the end of the previous year. The scale of custody of mutual fund ranked fifth in the industry, up by two places (data from the China Banking Association). Commission income from mutual fund custody business amounted to RMB2.662 billion, representing a year-on-year increase of 84.86% and accounting for 49.33% of commission income from the Bank's custody business, representing a year-on-year increase of 15.17 percentage points. Among the mutual funds newly issued during the year, the Company managed a total of 253 funds with a total size of RMB406.765 billion, ranking first in the industry in terms of both number and size (WIND data). As at the end of the reporting period, the scale of insurance custody amounted to RMB1.66 trillion, representing an increase of 46.42% as compared with the end of the previous year. In addition, as at the end of the reporting period, the Company ranked first in the industry in terms of the scale of bank wealth management, trust, asset management of securities companies and custody of special fund accounts (data from the China Banking Association).

Secondly, our market share in key innovative businesses was high, forming competitive advantages in custody business with CMB's characteristics. As the Company continued to improve its research capabilities and quick response capabilities for innovative businesses, giving full play to its professional advantages and providing professional and all-round comprehensive service support for custody customers, it actively supported the supply-side structural reform of the State. During the year, the Company managed 7 of the first batch of 9 public REITs projects in China, accounting for 77.78% of the market share, which initially formed a leading advantage in the public REITs field. In addition, the Company maintained its leading position in the industry in terms of market share in the sub-custody businesses of newly approved innovative index mutual funds, MOM and FOF funds throughout the year. At the same time, the Company actively participated in the pilot program of pension wealth management, launched the first batch of exclusive commercial pension insurance products under custody, thereby practicing inclusive finance and contributing to the construction of the third pillar of China's pension system.

Thirdly, we continued to build the "custody plus (託管+)" value-added service system to improve customer experience. The Company always focused on customer needs, created value with professionalism, and served customers with platform thinking. Focusing on customers' pain points, it provided differentiated value-added service support through Fintech empowerment. The Company continued to build an investment and research integrated auxiliary platform, covering diversified needs such as customer asset allocation, business management and compliance and risk control.

Financial markets business

During the reporting period, the situations of the domestic and foreign economies and financial market were complex. Under the combined effect of the ups and downs of global pandemic, uneven economic recovery and the impact of credit default events, the bond market interest rate showed a downward trend in general.

With respect to RMB bond investment, through in-depth research and analysis of domestic and foreign macro economic situations and policies, the Company anticipated market trends and captured market opportunities while effectively controlling market risks and credit risks. During the reporting period, based on the overall judgment of a volatile market in 2021, the Company took the initiative to increase investment, maintain high positions in accounts and extend the duration in the first half of the year. In the third quarter, the yield dropped significantly, and the profit was settled. At the same time, the range trading operation was carried out, and the positions and duration were further increased in the fourth quarter. For the whole year, while obtaining stable allocation income from underlying positions, the Company obtained spread income through trading operation, which effectively improved the overall income of the portfolio. In terms of foreign currency bond investment, the Company appropriately adjusted the industry structure of bonds in the portfolio based on its judgment on the international economic situation and market trends, further improving portfolio quality and ensuring profitability of the portfolio. In addition, the Company actively explored the application of quantitative technology in the fixed income field, and the interest rate bond duration strategy has been implemented in real situations.

With respect to foreign exchange transactions, the Company conducted in-depth research on the operating characteristics of the global foreign exchange market under the pandemic situation, and actively grasped the rhythm of the two-way fluctuations in the RMB exchange rate. With stable trading exposure management and flexible market-making strategies, the Company achieved satisfactory results in related businesses.

With respect to precious metals trading, the Company focused on exploring investment and trading opportunities in the relevant precious metal market under the changes in the international economic and political situations. Through multi-dimensional trading strategies, the Company captured the downward trend of international gold price during the year to achieve good returns on investment transactions.

With respect to customer transaction business, the Company actively promoted the concept of exchange rate risk neutral management to corporate customers, and customised exchange rate risk management plans for customers. At the same time, it actively used Fintech to serve customers, continued to enrich the types of transactions that customers can use to manage risks, and facilitated the settlement and sale of foreign exchange funds for customers through online transactions, providing customers with a green channel for exchange rate risk management. The "CMB Hedging (招銀避險)" service system was further improved, and both the number of customer transaction customers and the trading volumes continued to grow.

During the reporting period, the trading volumes of RMB exchange rate swaps amounted to USD808.621 billion, representing a year-on-year increase of 4.69%. The trading volumes of transaction services to the corporate customers amounted to USD217.217 billion, representing a year-on-year increase of 27.88%, which was mainly because the Company expanded the volume of foreign exchange business of customers by promoting the exchange rate risk-neutral concept to corporate customers. In addition, the Company continued to actively participate in the bilateral opening up of the bond market. It was among the first batch to participate in the Southbound Trading under Bond Connect, and was once again awarded the "Excellent Market Maker of Bond Connect (債券通優秀做市商)" award by Bond Connect Company Limited.

3.10.3 Distribution channels

The Company provides products and services via multiple distribution channels. The distribution channels of the Company mainly consist of physical distribution channels and e-banking channels.

Physical distribution channels

The Company mainly focuses on the market in China. The Company's distribution network primarily covers major cities in Mainland China, as well as Hong Kong, New York, London, Singapore, Luxembourg, Sydney and other international financial centers. As at the end of the reporting period, the Company had 143 branches and 1,770 sub-branches, one dedicated branch-level operation center (credit card center), one representative office, 2,812 self-service centers, 6,592 self-service machines and 14,746 visual counters in more than 130 cities of Mainland China. The Company also has a branch in Hong Kong; a branch and a representative office in New York, the United States; a branch in London, the UK; a branch in Singapore; a branch in Luxembourg; a representative office in Taipei and a branch in Sydney, Australia.

E-banking channels

Major retail e-banking channels

CMB APP

During the reporting period, the Company released CMB APP 10.0, launched the diversified service for wealth management such as Zhao Zhao Bao Family, released the intelligent wealth assistant "AI Xiao Zhao" for the upgrading of whole life-cycle investment and financing services. The Company launched an open wealth management platform to co-build an ecosystem with wealth partners. Meanwhile, the Company continued to improve the capabilities of digital middle-office system and enhance its platform-based and intelligence strengths to facilitate the operation of the Bank.

As at the end of the reporting period, the aggregate number of users of CMB APP amounted to 170,000,000. During the reporting period, the maximum number of daily active users of CMB APP reached 17,540,700 and the number of logins to the CMB APP was 7.622 billion in the year, with a monthly average individual logins of 11.42. The number of monthly active users was 65,416,900 as at the end of the period. During the reporting period, CMB APP had 1.914 billion transactions and a total transaction amount of RMB59.62 trillion, up by 6.16% and 45.73% respectively, as compared with the corresponding period of the previous year.

CMB Life APP for credit card

During the reporting period, CMB Life APP continued to upgrade its products and services to create value for users. The Company introduced wealth management services such as "Zhao Zhao Bao (朝朝寶)" into the CMB Life APP in an effort to make wealth management accessible to ordinary people, launched a number of popular marketing activities such as "Cashback Rebate, Daily Koi (筆筆返現，天天錦鯉)", "Golden Months of September and October, Daily Rebate (金九銀十，天天返利)", "Free Chicken Leg for Mobile Payment (手機支付加雞腿)" and "10 yuan Storm (十元風暴)", mobilising a sizeable customer base in a continuous and efficient way, so that MAU could maintain a high level of stability while optimising its structure for closer connection with customer management.

As at the end of the reporting period, the aggregate number of users of CMB Life APP amounted to 127,000,000. During the reporting period, the maximum number of daily active users of CMB Life APP reached 7,477,300 and the number of monthly active users was 45,934,400 as at the end of the period. In terms of the number of online activity of users, CMB Life APP was in the front rank among other credit card APPs in the banking industry.

Network operation service

The Company's Network Operation Service Center provides instant, comprehensive, prompt and professional services to its customers through caring methods such as telephone, network and video.

The Company diversified its online service support with the application of new technologies such as multimedia integration and multi-screen interaction to further cater to customers' online service demands and interaction habits, enhanced the fluency and precision of service with intelligent technology in assisting in accurate problem positioning and service judgment in the manual service, earnestly implemented services for elderly customers with fast access and one-stop exclusive manual service while strengthening customer voice analysis and constantly driving the improvement of pain points for a more pleasant customer service experience. During the reporting period, the Company achieved a success rate of 97.56% of remote online omni-channel connection for manual services, a remote online omni-channel 20-second manual response rate of 94.37%, and a remote online omni-channel customer satisfaction rate of 97.61%. The Company continued to accelerate the development of intelligent services, further construct online service scenarios, improve the training system of intelligent robots, enhance machine learning and algorithm optimisation and constantly explore the boundaries of robot capability with Fintech. During the reporting period, our intelligent self-services accounted for[24] 78.29%.

[24] The percentage of services undertaken by intelligent robots in all types of remote inquiries (including phone calls and online text).

Smart service system

The Company continued to optimise its smart service network with the two major Apps, being "CMB APP" and "CMB Life APP" as the core, covering Network Operation Service Center and visual counters at our outlets. During the reporting period, the Company further strengthened the AI service and closed-loop service capabilities of the smart customer service assistant of CMB APP and the smart customer service assistant of CMB Life APP and continued to develop smart service products for our customers. Meanwhile, the Company insisted on the strategy of decentralised service interaction established by taking Fintech as the driving force, to precisely match customer needs, enrich service interaction modes and contents, and optimise such experience. During the reporting period, leveraging a variety of Internet channels for its branding and business promotion, the Company established the image of "professional and reliable wealth partner" with quality service content to facilitate business communication and strengthened the first brand of wealth management for constant enhancement of the Company's online marketing promotion value and brand reputation. In addition, the Company continued to explore ways to reach out to the Generation Z[25] and conducted high-frequency interaction with young users to form in-depth communication with young people.

Major wholesale e-banking channels

During the reporting period, the Company introduced the "corporate digital service system" to deploy and link up the Company's top seven online service channels for corporate customers and to open up the data and user system, customers can enjoy services with no impediment for one-time registration. The Company officially launched two major systematic scenario-based service plans of "digital financial manager" and "digital business assistant" to reconstructed the corporate service ecosystem and realised the upgrading from single customer service to industrial chain cluster customer service with a view to becoming the closest digital transformation partner of customers. As at the end of the reporting period, the Company had 2,178,100 wholesale customers on the e-banking channels, with a coverage rate of 94.00% and 1,562,900 monthly active customers.

Online corporate banking

During the reporting period, the Company launched the new U-Bank11 version by revamping the visual page with an innovative user interaction mode featuring multi-screen interaction and order push, whilst newly launched the scenario-based special section service model for international business and supply chain to improve user experience. The Company initiated the "Light Bank" plan, which greatly optimised the user experience, and created a rather "light" online basic customer service channel to improve the interactive friendliness of electronic channels. The plan encouraged customers to visit the counter once and handle more than 90% of their business online, and offered opening of 6 service packages, so as to turn its online corporate banking service into an "easy-to-use, intelligent and open" digital service platform. As at the end of the reporting period, the number of online corporate banking customers of the Company reached 2,122,400, of which the number of monthly active customers was 1,273,300. The total number of online corporate banking transactions of the Company reached 283 million, representing a year-on-year increase of 13.87%, and total value of transactions amounted to RMB150.68 trillion, representing a year-on-year increase of 19.59%, during the reporting period.

CMB Corporate APP

During the reporting period, the Company continued to boost the construction of various featured function scenarios of CMB Corporate APP, aiming to provide customers with interactive and friendly one-stop services. Firstly, it facilitated the scenario construction of business special section, and launched the electricity payment function for State Grid enterprises and the customs duties payment function. Secondly, it connected with the CMB Zhao Dai (招貸) APP and docked with the Instant Loan for Small- and Micro-Sized Enterprises (小微閃電貸) to provide fully online inclusive loans for CMB Corporate APP users. Thirdly, it launched the function of "Multiple Corporate Account View" in the legal entity version and "Individual + Corporate Banking" comprehensive service solutions of the CMB Corporate APP. Fourthly, it innovated and launched the function of corporate business card and corporate income and expense report to provide convenient management for wholesale customers' collection and payment. Fifthly, it accelerated the construction of special section for Head Office and branches to create online special sections for key scenarios such as tax payment, e-government affairs and international business. Sixthly, it built an "activity center", which gathered the popular tasks and activities inside CMB Corporate APP, to help customers better understand and use various functions of CMB Corporate APP by guiding them to complete various prize tasks. As at the end of the reporting period, the number of customers of CMB Corporate APP reached 1,234,800, of which monthly active customers reached 600,200. During the reporting period, the number of transactions made by customers through CMB Corporate APP amounted to 31,542,900, representing a year-on-year increase of 95.05%, with a transaction value of RMB777.787 billion, representing a year-on-year increase of 128.33%.

25 People born between 1995 and 2009, or collectively the generation that has been greatly influenced by technological products such as the Internet, instant messaging, smartphones and tablet computers.

3.10.4 IT and R&D

During the reporting period, the Company centered around "14th Five-Year Plan" to build the "Strongest Digital Bank", vigorously practiced the methodology of "openness and integration" and strove to build the industry leading information system under CMB 3.0 model to fully support the business transformation into 3.0 model while strengthening the core competitiveness of Fintech.

In terms of business assurance, on the basis of the overall growth of output and the comprehensive acceleration of the "cloud + middle office" structural transformation, the overall operation of our information system remained sound and stable, with industry-leading availability of the core accounting system and backbone network. During the reporting period, the server room in phase I of Shenzhen Pinghu Cloud Data Center successfully commenced operation with the layout of three data centers in Shenzhen and Shanghai and the software centers in Shenzhen, Hangzhou and Chengdu to support the future development of Digital Bank.

In terms of Fintech infrastructure, with the steady progress of cloud migration and switching, the cloud service capability has reached a new level, taking the industry leading position in private cloud, artificial intelligence, blockchain and other aspects. The Company upgraded the digital middle-office and technology middle-office to give play to digital asset precipitation and burden reduction empowerment, while researching and developing robotic process automation, which greatly reduced the research and development threshold, to facilitate the processing of a large number of repetitive and well-defined tasks effectively, efficiently and at low cost across the Bank and its subsidiaries. It launched the smart audit platform and achieved the intelligent audit of various complex businesses by using artificial intelligence technology. 14 new scenarios were added to the blockchain, and the blockchain ecosystem was further expanded.

In terms of business system construction, the scientific and technological support of the cyclic value chain of extensive wealth management was strengthened to accelerate the construction of system platform and ecosystem. The Company released CMB APP 10.0 version, launched "Duo Bao Family (多寶家族)" wealth management services including "Yue Yue Bao (月月寶)", "Ji Ji Bao (季季寶)", "Ban Nian Bao (半年寶)", upgraded "Zhao Cai Hao (招財號)", an open wealth management platform, to open up the online operation ability to external partners, and released the new online intelligent wealth assistant "AI Xiao Zhao" while exploring the new model of "people + digitalisation". It released Xin Fu Tong (薪福通) 3.0, which empowered the corporate digital transformation and vigorously promoted the capacity-building of corporate digital services so as to greatly increase the work efficiency of enterprises in attendance, calculation of salary and tax, and payroll. The Company opened up the last-mile digital transformation of branches, promoted the data cloud of 44 branches nationwide, and empowered the development of branches through branch special sections, tool platforms and engineering management systems.

As for the brand building efforts with Digital Bank, the Company held innovative application competitions related to the "CMB Cloud (招行雲)", blockchain, robotic process automation, intelligent finance, and office open platform to encourage the whole bank to provide innovative solutions and stimulate innovation vitality from the perspective of customers. During the reporting period, the Company was presented with a second prize and 4 third prizes in the selection of the 2020 Fintech Development Awards held by the People's Bank of China.

3.10.5 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch is the first branch duly established overseas by the Company, which may engage in comprehensive commercial banking businesses. With regard to corporate banking business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposits, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A portfolio solutions, asset management and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail banking, the Hong Kong Branch may provide cross-border personal banking services and private wealth management services for individual customers in Hong Kong and Mainland China. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

In 2021, the Hong Kong Branch adjusted its business strategy, focusing on maintaining stability under tremendous external pressure such as global low interest rate, ongoing pandemic and closure of Hong Kong-mainland China border. While the traditional cross-border business was severely impacted, the Hong Kong Branch worked hard to develop featured businesses such as "private wealth management", "asset custody" and "asset management", and made every effort to reduce the amplitude and impact of business fluctuations in the face of adversities. During the reporting period, the Hong Kong Branch realised a net operating income of HK$1.824 billion and a profit before tax of HK$1.268 billion.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved in the U.S. since the US Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial center and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies and high-net-value private banking customers in China and the U.S..

In 2021, our New York Branch overcame the difficulties of the pandemic and tapped deeply into the potential of cross-border business between China and the United States, with the aim of enhancing the comprehensive service capability of its cross-border financial platform, achieving restorative growth in operating profit. During the reporting period, our New York Branch realised a net operating income of USD93,260,500 and a profit before tax of USD53,174,500.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is positioned as a significant cross-border financial platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch, which focusing on two major businesses, namely cross-border finance and wealth management, strives to provide all-round non-stop solutions for cross-border finance to the Chinese companies "going global" and the companies "brought in" located in Singapore and other Southeast Asian countries. Its major services and products include: funds settlement, deposit service, foreign exchange trading, coordination financing, trade financing, M&A loans, syndicated loans, real estate trust leveraged financing and delisting financing. In terms of wealth management business, with the Private Banking (Singapore) Center was officially launched in April 2017 to provide private banking products and value-added services with integrated investment and financing solutions, such as cash management, asset allocation and heritage of wealth to high-net-value customers.

In 2021, in the face of the ongoing pandemic and the complex and changing market environment, the Singapore Branch continued to optimise its cross-border business development with an effective integration of its corporate and private banking services to achieve synergy and strove to overcome the impacts of low interest rate, low growth and reduction of cross-border business, so as to ensure stable and orderly development of business. During the reporting period, the Singapore Branch realised a net operating income of USD18,779,300 and a loss before tax of USD12,702,800 as a result of the provision.

Luxembourg Branch

Established in 2015, the Luxembourg Branch of the Company is positioned as an important cross-border financial platform in European continent. It provides diversified services including corporate deposits, corporate loans, project financing, trade financing, M&A financing, M&A advisory, bond underwriting and asset management for the Chinese enterprises "going global" and the enterprises "brought in" from Europe. It is committed to establishing an operational platform of the Company in Europe on the basis of the superior businesses of the parent bank combined with the special advantages of Europe.

In 2021, the Luxembourg Branch strove to overcome the impacts brought about by the pandemic, adjusted the development strategy in time by strengthening cooperation with domestic and overseas financial institutions while making remarkable efforts to expand its business and financing channels, with which it has achieved sound business development. During the reporting period, our Luxembourg Branch realised a net operating income of €12,483,300 and a profit before tax of €4,663,300.

London Branch

Established in 2016, the London Branch of the Company is the first branch approved to be established in the United Kingdom among all the PRC joint-stock commercial banks and also the first branch established in the United Kingdom directly by a bank in Mainland China since the founding of the PRC. It currently conducts corporate banking business and private banking business. With respect to corporate banking business, it provides customers with diversified corporate banking products and services, such as deposits, loans (including bilateral loans, syndicated loans and cross-border M&A financing) and trade finance products, such as making payments on behalf of customers (代付) and forfeiting (福費廷). It also engages in interbank transaction of funds, bonds and foreign exchange trading, and conducts funds clearing and asset transfer with other financial institution customers. The private banking business currently provides basic services such as settlement, fixed deposit, foreign exchange transactions, mortgage loans and insurance referrals to meet the needs of our high-net-value customers for cross-border business and value-added services.

In 2021, the London Branch adapted quickly to the external environmental changes by taking a firm hold of the opportunities emerging from the mutual investment business in China and the UK and reinforcing the development of its cross-border services and products while maintaining a tight control of risks and strengthening compliance management, with which it had secured steady business growth. During the reporting period, the London Branch achieved a net operating income of USD20,469,800 and a profit before tax of USD8,341,700.

Sydney Branch

Established in 2017, the Sydney Branch of the Company is the first branch approved to be established in Australia among all the PRC joint-stock commercial banks. It proactively participates in Sino-Australian cross-border investment and financing services, trade financing and settlement, exploitation of mineral resources and the development of quality infrastructure projects, and provides supporting services for "going-global" customers to lay out in Australia and New Zealand and for "brought-in" foreign leading enterprises to develop in China. At the same time, it steadily carried out private banking business in compliance with laws and regulations, and met the private banking customers' needs for global service and the cross-border non-financial value-added service. The establishment of the Sydney Branch further expanded and improved the Company's global presence, forming a global service network across four continents: Asia, Europe, America and Australia.

In 2021, the Sydney Branch overcame the impacts brought by the pandemic, providing its customers with high-quality financial services. During the reporting period, the Sydney Branch achieved a net operating income of AUD33,592,200 and a profit before tax of AUD9,768,500.

3.10.6 Major subsidiaries

The Company strictly abides by the relevant provisions of the Company Law of the People's Republic of China, the Commercial Bank Law of the People's Republic of China, the Guidelines on Management and Regulation of Consolidated Financial Statements of Commercial Banks, the Corporate Governance Guidelines for Banking and Insurance Institutions and other laws and regulations, exercises shareholders' rights in compliance with laws and regulations, and continues to improve the management of subsidiaries. During the reporting period, the Company implemented comprehensive and ongoing management of subsidiaries in terms of corporate governance, capital management, risk management and financial management; strengthened the strategic management of subsidiaries based on the overall strategy of the Group; gave full play to the synergy of comprehensive operation to drive subsidiaries to integrate into the cyclic value chain of extensive wealth management, and to facilitate the coordinated development of subsidiaries and the Group.

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HK$1.161 billion, and is a wholly-owned subsidiary of the Company in Hong Kong. The principal operations of CMB Wing Lung Bank and its subsidiaries comprise deposit-taking, lending, private banking and wealth management, investment, securities, credit cards, NET banking, "CMB WLB Wintech (招商永隆銀行一點通)" mobile banking, global cash management, syndicated loans, corporate loans, documentary bills, leasing and hire purchase loans, foreign exchange, insurance agency, mandatory provident fund, insurance brokerage and general insurance underwriting, property management and trustee, nominee and asset management services. At present, CMB Wing Lung Bank has one head office, 32 branches and private banking centers in Hong Kong, four branches and sub-branches in Mainland China, one branch in Macau, and one branch located respectively in Los Angeles and San Francisco, the United States, as well as one representative office in Bangkok.

During the reporting period, CMB Wing Lung Group realised an attributable profit to shareholders of HK$3.032 billion and a net operating income of HK$6.465 billion, of which net interest income was HK$4.190 billion and net non-interest income was HK$2.275 billion. The cost-to-income ratio was 40.69%. As at the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HK$389.075 billion. Total equity attributable to shareholders amounted to HK$44.848 billion. Total loans and advances to customers (including trade bills) amounted to HK$204.413 billion. Deposits from customers amounted to HK$293.061 billion. The loan-to-deposit ratio was 65.60%. The non-performing loan ratio (including trade bills) was 0.63%. For detailed financial information on CMB Wing Lung Group, please refer to the 2021 annual results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing

CMB Financial Leasing was established in 2008 and wholly owned by the Company with a registered capital of RMB12.0 billion (including RMB6.0 billion upon transfer of capital reserve into share capital during the reporting period). CMB Financial Leasing has adhered to its operation and development strategy of "professionalisation, internationalisation and digitalisation", carried out the mission of "supporting national strategy, serving the real economy and promoting industrial upgrading", and launched the financial solutions for the ten industries of aviation, shipping, energy, infrastructure, equipment manufacturing, environment, healthcare and cultural tourism, public transportation and logistics, smart interconnection and integrated circuit as well as leasing. It satisfies the lessees' different needs in respect of equipment procurement, sales promotion, asset revitalisation, balancing of tax liabilities and improvement of financial structure.

As at the end of the reporting period, the total assets of CMB Financial Leasing amounted to RMB226.562 billion, and its net assets amounted to RMB25.484 billion. It realised a net profit of RMB2.891 billion during the reporting period.

CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong, with a registered capital of HK$4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate finance, asset management, wealth management, stocks and structured finance.

As at the end of the reporting period, the total assets of CMB International Capital amounted to HK$51.931 billion, and its net assets amounted to HK$12.154 billion. During the reporting period, it realised a net profit of HK$1.780 billion.

CMB Wealth Management

CMB Wealth Management was officially launched in 2019. Its business scope includes issuance of wealth management products, wealth management consulting and advisory, and other businesses approved by the CBIRC. At the beginning of December 2021, the CBIRC officially approved the matters related to the capital increase and the change of registered capital of CMB Wealth Management, and agreed that JPMorgan Asset Management (Asia Pacific) Limited shall contribute RMB2.667 billion to subscribe for 10% of the equity interests of CMB Wealth Management. Upon completion of the capital increase, CMB Wealth Management will be owned as to 90% and 10% by the Company and JPMorgan Asset Management (Asia Pacific) Limited respectively, and its registered capital will be increased to approximately RMB5.556 billion from RMB5.0 billion.

As at the end of the reporting period, the total assets of CMB Wealth Management amounted to RMB12.097 billion, and its net assets amounted to RMB10.678 billion. During the reporting period, it realised a net operating income of RMB5.203 billion and a net profit of RMB3.203 billion.

China Merchants Fund

Established in 2002, China Merchants Fund has a registered capital of RMB1.31 billion. As at the end of the reporting period, the Company held 55% of China Merchants Fund's equity interests. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As at the end of the reporting period, the total assets of China Merchants Fund amounted to RMB10.149 billion, and its net assets amounted to RMB6.991 billion. It realised a net profit of RMB1.603 billion during the reporting period.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million and is an indirectly owned subsidiary of the Company, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance, a joint venture of the Company, and CMB International Capital, a subsidiary of the Company, respectively. The scope of business of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and asset management related consultation business.

As at the end of the reporting period, the total assets of CIGNA & CMAM amounted to RMB661 million, with net assets of RMB537 million and a net profit of RMB50 million for the reporting period.

CMB Europe S.A.

The establishment of CMB Europe S.A. was approved in May 2021 with a registered capital of €50 million. It is a wholly-owned subsidiary of the Company in Europe and is the regional head office of the Company in continental Europe. CMB Europe S.A. will be fully integrated into the Company's extensive wealth management system and leverage its full license to provide its customers with a wide range of financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade finance, etc., as well as operation and allocation of the global assets of its corporate and individual customers.

As at the end of the reporting period, the total assets of CMB Europe S.A. amounted to €49 million, with net assets of €49 million.

3.10.7 Major joint ventures

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in Shenzhen in 2003 with a registered capital of RMB2.8 billion. As at the end of the reporting period, the Company held 50% of CIGNA & CMB Life Insurance's equity interests. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance and accident injury insurance, as well as the reinsurance of the above insurances.

As at the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB108.815 billion, and its net assets amounted to RMB11.129 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB1.182 billion.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in Shenzhen in 2015 with a registered capital of RMB10.0 billion (including RMB6.131 billion upon transfer of capital reserve and undistributed profits into registered capital during the reporting period). Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans. At present, the Company directly holds 50% equity interests of Merchants Union Consumer Finance.

As at the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB149.698 billion and the net assets were RMB14.038 billion. It realised a net profit of RMB3.063 billion during the reporting period.

China Merchants T-Bank

On 11 December 2020, the CBIRC officially approved the establishment of China Merchants T-Bank, an independent direct-marketing bank, jointly established by the Company and Wangyin Online (Beijing) Business Service Co., Ltd., with a shareholding of 70% and 30%, respectively. With a registered capital of RMB2.0 billion, China Merchants T-Bank is proposed to be a financial institution that legally conducts all types of commercial banking business through the Internet. Currently, the application for opening of China Merchants T-Bank is pending the approval of the CBIRC. Upon the formal establishment, China Merchants T-Bank will be a joint venture of the Company according to the corporate governance arrangement.

3.10.8 Major associates

Bank of Taizhou Co., Ltd.

During the reporting period, the Company acquired 14.8559% equity interests of Bank of Taizhou Co., Ltd. ("Bank of Taizhou") held by Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. for a share transfer consideration of RMB3.121 billion. Upon the completion of the transaction, the Company held 24.8559% equity interests of Bank of Taizhou. For details, please refer to the relevant announcements dated 19 March 2021 and 31 May 2021 published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

Bank of Taizhou, an associate of the Company, was established in Taizhou, Zhejiang province in 2002 with a registered capital of RMB1.8 billion. As at the end of the reporting period, the Company had 24.8559% shares of Bank of Taizhou. Bank of Taizhou is engaged in commercial banking business approved by the CBIRC, such as taking public deposits, granting loans and interbank lending.

As at the end of the reporting period, the total assets of Bank of Taizhou amounted to RMB316.172 billion and its net assets amounted to RMB26.441 billion. During the reporting period, Bank of Taizhou realised a net profit of RMB4.228 billion.

3.11 Risk Management

The Company adhered to a prudent risk culture and risk preferences, deepened the "curing the root cause" transformation of risk management, strengthened the leading position of risk management, and steadily promoted the construction of a risk management system that adapted to the characteristics of extensive wealth management business under the principles of "Comprehensive, Professional, Independent and Balanced Management". The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies on risk preferences, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, in the face of the recurrence of the pandemic along with the complex and ever-changing economic environment at home and abroad and the increasing risk in bank operations, the Company established an overall risk management system compatible with the value loop of extensive wealth management in accordance with the requirements of the 3.0 model transformation while tackling and preventing all kinds of risk head-on.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform its obligations as agreed. Adhering to its management philosophy of "Quality Goes First Based on Compliance and Risk Control (合規為根、風險為本、質量為先)", and with the goal of "fostering a leading risk management bank", the Company promoted the risk management culture of "staying healthy, rational, proactive and comprehensive (穩健、理性、主動、全員)", stuck to the concept of balanced returns and risks and the prudent business strategy in which risks can ultimately be covered by capital, implemented a unified credit risk preference, optimised the life-cycle credit risk management processes, continuously upgraded credit risk management tools, and fully improved risk management standard, so as to prevent and reduce credit risk loss.

During the reporting period, the Company followed up closely on the macroeconomic and financial situation, strictly adhered to the bottom line of risks and addressed both the cause on the surface and the root cause to ensure stable asset quality. Firstly, the Company thoroughly implemented the requirements of the 3.0 model transformation, established the risk management system for extensive wealth, carried out differentiated management for different types of businesses, and achieved phased results. Secondly, the Company adhered to the customer-oriented principle, focused on the direction of high-quality asset organisation, and promoted the adjustment of customer structure. Relying on the self-organisation of the industry, it focused on the industrial chain and investment chain of core customers and regional characteristic industries, continuously improved industry recognition, implemented customer list management, fully promoted the investment of high-quality assets in related fields such as new growth engines, manufacturing industry and green finance, and continuously consolidated the customer base. Thirdly, the Company adhered to the bottom line of risks and continued to deepen the "curing the root cause" transformation of risk management. While strictly controlling asset quality and maintaining leading advantages, it strictly prevented risks in key areas, established a risk monitoring system coordinated by the Head Office and branches for customers with large transaction value, implemented "different policy for each group" for key customer groups and "different policy for each account" for key customers, and carried out dynamic risk investigation to improve the level of refined risk management. Fourthly, the Company consolidated the foundation and strengthened the basic risk management. It further improved the early warning system, optimised the risk consolidation management mechanism, and strengthened the main responsibility of risk management of the first line of defense. While continuously improving the qualification management of corporate asset business, it formulated position manuals and working standards, enhanced team building and improved risk management capabilities. Fifthly, the Company expanded channels for and improved the efficiency of non-performing asset disposal. It implemented list-based management of key projects, intensified the recovery of non-performing assets by cash collection while continuously promoting the write-off of non-performing assets. The Company made use of a number of methods to mitigate risk assets and achieved the effective and efficient disposal of non-performing assets based on compliance regulations. Sixthly, the Company adhered to the guidance of financial technology and accelerating the digital transformation of risk management. It established a long-term mechanism for extensive wealth risk data and centralised system management, promoted the application of financial technology, and improved the efficiency of business services and risk management.

For more information about the Company's credit risk management, please refer to Note 60(a) to the financial statements.

3.11.2 Management of large-scale risk exposure

In accordance with the Management Measures for Large-Scale Risk Exposure of Commercial Banks (CBIRC Order 2018 No. 1) (《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令)) issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. The Company has incorporated large-scale risk exposure management into its overall risk management system, continued to improve customer credit management requirements, continued to streamline risk exposure measurement rules, dynamically monitored changes in large-scale risk exposures by way of financial technology, and reported regularly on large-scale risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. As at the end of the reporting period, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of economic, political and social changes or developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfill their obligations to banks, or incur loss to commercial presences of the Company in that country or region, or other loss to the Company in that country or region. Country risk may arise from deteriorating economic conditions, political and social upheavals, nationalisation or expropriation of assets, and government repudiation of external indebtedness, foreign exchange controls and currency depreciation in a country or region.

The Company strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favor of low-risk countries. Major matters involving country risk management strategies and policies were submitted to the Board for consideration and approval. In 2021, under the background of continuously spreading pandemic overseas and the complex and changeable international political and economic situations, the Company strengthened risk monitoring and management in priority countries, dynamically updated country risk ratings based on risk changes, and strictly restricted business growth in high-risk countries. As at the end of the reporting period, the Company has made adequate allowances for country risks in accordance with the regulatory requirements. As a result, the country risks will not have a material effect on the operations of the Company.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest-rate-sensitive indicators and accumulative loss indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 140 interest rate indicators or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavorable market scenarios designed on the characteristics of investment portfolios. Among which, the extreme interest rate scenario may move up to 300 basis points and cover the extremely unfavorable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and the change in the market value of bonds and interest rate derivatives PV01 (when an interest rate fluctuates unfavorably by 1 basis point). As for daily risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for daily monitoring and continuous reporting.

In 2021, under the combination of "economic downturn + monetary steady + credit contraction", the RMB interest rate showed an overall downward trend. As of the end of the reporting period, the 1-year treasury bonds fell by 23 basis points from the end of the previous year to 2.24%, and the 10-year treasury bonds fell by 37 basis points to 2.78% from the end of the previous year. As for the USD interest rate, with the gradual recovery of the US economy from the pandemic, after nearly two years of monetary easing policies, the US has gradually withdrawn from quantitative easing, and the overall interest rate showed a significant upward trend. As of the end of the reporting period, the US 1-year treasury bonds rose by 29 basis points from the end of the previous year to 0.39%, and the 10-year treasury bonds rose by 59 basis points from the end of the previous year to 1.52%.

The investment scope of the trading book of the Company focused on RMB bonds. In general, prudent investment management strategies were adopted by the Company and the risk exposure was dynamically adjusted by means of bond trading, derivative hedging, etc., and all interest rate risk indicators of the trading account remained within the target range according to changes in the market.

Banking book

The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the whole Bank; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. The net interest income (NII) for the future one year and the changes in economic value (EVE) indicator are calculated through simulation of the scenario of changes in interest rates. The NII fluctuation ratio and the EVE fluctuation ratio of certain scenarios are included into the interest rate risk limit system of the whole Bank. In addition, the internal limit indicator system is included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised) issued by the CBIRC.

During the reporting period, the Company adhered to the principle of neutral and prudent interest rate risk appetite, paid close attention to changes in the external environment and internal interest rate risk exposure structure, made prediction and analysis of the trend of credit and market interest rates based on the macro quantitative model, and flexibly adjusted the active management strategy for interest rate risk. The Company continuously analysed and evaluated the impact of changes in the LPR curve on the Company's interest rate risk after the LPR conversion, and, through the adjustments to the structure of on-balance sheet assets and liabilities and off-balance sheet interest rate derivatives, managed the interest rate risk as a result of the decline in LPR. As at the end of the reporting period, various on – and off-balance sheet management measures were implemented as scheduled, and the interest rate risks were under control within the annual interest rate risk management and control target range of the Company. The results of stress test also showed that various indicators still stayed within the limits and pre-warning values of the Company, and the interest rate risk of the banking book was generally controllable.

Exchange rate risk management

Trading book

The Company uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market value risk indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For daily management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform daily monitoring and on-going reporting.

In 2021, the world's major economies were gradually recovering. The US Federal Reserve took the lead in releasing the tightening signal, driving the USD to return to the upward trend, and major non-USD currencies generally depreciated. However, the RMB exchange rate deviated from the USD index due to factors such as strong exports and continued easing of domestic USD liquidity, and showed an overall upward trend. As at the end of the reporting period, the central parity rate of RMB against the USD was 6.3757, representing an appreciation of approximately 2.29% as compared to the end of the previous year. Judging from the fluctuations throughout the year, the RMB exchange rate experienced three stages: depreciation, followed by appreciation and then shock.

Under this background, the Company mainly obtained spread income through foreign exchange trading business on behalf of customers, utilised system to dynamically monitor the exposure of trading and strengthened the monitoring of changes in the value of limit indicators such as sensitivity index and stop-loss. As at the end of the reporting period, all exchange rate risk indicators of trading book of the Company were within the target range.

Banking book

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of banking book of the Company. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk in respect of fluctuation of all currency exchange rates, including the standard scenario, historical scenario, forward scenario and stress scenario, including scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies, each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenarios on the profit and loss and its percentage to net capital as a limit indicator are taken as reference in the daily management. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to mitigate the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for overall auditing of our exchange rate risk.

During the reporting period, the Company paid close attention to exchange rate movements, took initiative to analyse the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. In 2021, the Company increased its efforts to monitor and analyse of foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the size of the banking book of the Company's foreign exchange exposure was at a relatively low level. The exchange rate risk of the Company is generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 60(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses with a certain level of cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, so as to further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, in order to prevent loss arising from systematic operational risk and material operational risk, the Company continued to improve its operational risk management system. The first was to incorporate cooperative business into the overall risk management system, carry out classified and hierarchical management of cooperative institutions, and promote online management of cooperative and public business information. The second was to strengthen risk prevention and control in key areas, and continue to carry out risk investigation and management of private placement, deposit pledge loan business, capital supervision business of real estate enterprises and their related companies, P2P platform business and transactions with abnormal payment. The third was to improve management tools, and optimise the evaluation mechanism of operational risk and the economics of operational risk capital allocation plan. The fourth was to strengthen outsourcing risk management, prudently review outsourcing products, strengthen access management, and organise the Head Office and branches to randomly select projects for post-outsourcing evaluation. The fifth was to strengthen IT risk and business continuity management, formulate annual business continuity plans and business continuity management guidelines, and review the monitoring indicator system, so as to complete the security risk investigation of the Bank's information technology outsourcing and cooperative businesses. The sixth was to further improve the performance of the operational risk management system, and continue to promote the operational risk management system reconstruction project. The seventh was to increase the empowerment of subsidiaries and branches, and carry out video training for the operational risk management personnel of domestic and foreign branches and subsidiaries so as to improve operational risk management skills.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company's unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have basically satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Company puts in place a governing framework under which the roles, responsibilities and reporting lines of the Board of Directors, the Risk and Capital Management Committee, the Board of Supervisors, senior management, designated committees and relevant departments are segregated to ensure the effectiveness of liquidity risk management.

In 2021, the Central Bank maintained a prudent monetary policy and reasonably stable liquidity. Based on the macroeconomic and market trend analysis, the Company dynamically and quantitatively predicted future risk conditions, and deployed asset-liability management strategies in a forward-looking manner to balance the risks and returns. The first was to continue to promote the steady growth of deposits from customers and strengthen the control of key timings to guide the further decrease of liabilities and costs. The second was to strengthen the organisation and support of high-quality assets, so as to continuously optimise the asset structure and realise the stable operation of assets and liabilities. The third was to carry out active liability management through comprehensive and multiple channels, expand diversified financing channels, actively conduct open market transactions, improve treasury financing capabilities and play the role of a primary dealer. The fourth was to further improve the efficiency of capital use. Appropriately increasing investment in qualified and high-quality bonds, the Company maintained sufficient liquidity reserves. The fifth was to strengthen liquidity risk management for business lines, overseas branches and affiliates. The sixth was to test and improve the liquidity contingency plan and emergency plan, and effectively improve the ability to respond to liquidity risk events through regular liquidity risk emergency drills.

As at the end of the reporting period, all liquidity indicators of the Company satisfied the regulatory requirements and the Company had sufficient funding sources to meet the needs of sustainable and healthy development of the business. 8% of the Company's total RMB deposits and 9% of the Company's total foreign currency deposits were required to be placed with the PBOC. The Company's liquidity indicators remained at healthy levels. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

For more information about the Company's liquidity risk management, please refer to Note 60(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to behaviors of the Company and its employees or external incidents, thereby damaging the brand value of the Company, which is detrimental to the normal operation of the Company, or even market stability and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company established and formulated the reputational risk management rules and system and took initiatives to effectively prevent the reputational risk and respond to any reputational incidents, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company fully implemented the notice regarding the Measures for Reputational Risk Management of Banking and Insurance Institutions issued by the CBIRC, revised the reputational risk management measures, further improved the reputational risk management structure, and clarified the reputational risk responsibilities of all departments of the Head Office, branches and subsidiaries, consolidating the first line of defense. The Company carried out a number of inspections on high-risk areas and effectively prevented various risk events.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board of Directors to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the organisation to manage compliance risk of the whole company under the senior management. The Company set up three lines of defense for compliance risk management and the double-line reporting mechanism through the establishment of organisational management structure comprising the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches as well as compliance supervisors at branch and sub-branch levels, continuously improved risk management techniques and management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, the Company strictly implemented the regulatory policies and requirements, and continued to improve the long-term mechanism for internal control and compliance management. The first was to formulate and release the "Guidelines on Internal Control and Compliance Work of the Bank in 2021" to make unified arrangements for the internal control and compliance management throughout the Bank. The second was to organise the "Year of Internal Control and Compliance Management Construction" activity in accordance with the requirements of the CBIRC and based on the actual situation of the Company. With reference to the issues identified in the rectification of market chaos, regulatory notification and self-examination since 2017, the Company conducted in-depth self-examination, self-correction and centralised rectification of repeated violations to eliminate hidden risks in a timely manner. The third was to timely publicise and interpret regulatory regulations and policies to accurately grasp the regulatory direction, effectively identify and evaluate compliance risks of new products, new businesses and major projects, and strictly follow and implement regulatory requirements. The fourth was to strengthen the refined management of policies, and continue to promote the upgrade and iteration of policy hub, while preparing policy diagrams to display the overall network of policy construction across the Bank in a visualised way so as to avoid repetitive systems or redundant management. The fifth was to enhance employee behavior management by continuously launching compliance education activities for top leaders, compliance officers and compliance supervisors, carrying out inspection on abnormal behaviors of employees on a quarterly basis, and strengthening the use of employee behavior management tools such as minor non-compliance points, list of non-compliance restrictions and due diligence upon departure from the Bank, so as to implement employee behavior management properly. The sixth was to strengthen joint inspection and rectification management by adopting an open and integrated approach, organise on-site joint inspection throughout the Bank, and actively promote the opening-up and sharing of the auditing "Hawk Eye" system across the Bank. The seventh was to increase investment in technology to empower internal control and compliance management, and comprehensively promote the digital transformation of internal control and compliance management.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be used by the three types of activities such as "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a governance structure with clear responsibilities from the Board and senior management to ordinary employees, a comprehensive system coverage, an effective risk assessment and monitoring system, scientific anti-money laundering data governance, and elements such as targeted management of customers or businesses associated with high risks, efficient anti-money laundering automated system support, independent inspection and auditing, and continuous and effective anti-money laundering compliance training, so as to provide guarantee for the Company's stable and compliance operations.

During the reporting period, the Company proactively fulfilled its anti-money laundering obligations and took various measures to ensure the effectiveness of its money laundering risk management. The first was to optimise the institution's money laundering risk assessment mechanism and incorporate institutional money laundering risk management practices into comprehensive risk management. The second was to further improve the anti-money laundering internal control system based on the actual situation of money laundering risks and business development. The third was to continue to carry out customer and product money laundering risk rating, strengthen risk management of customers and products associated with high risks, and continue to optimise the anti-money laundering business process. The fourth was to coordinate overseas institutions and subsidiaries to ensure the consistency of the Group's money laundering risk management and prevent money laundering risk from spreading across institutions. At the same time, the Company continued to increase scientific and technological investment in anti-money laundering, actively explored the application of AI technology in anti-money laundering, improved the system's risk control efficiency and external service capabilities, and enhanced the effectiveness of money laundering risk management.

3.12 Outlook and Coping Tactics

In 2021, China's banking industry showed an obvious upward trend, and continuously strengthened its support to real economy. The growth in scale and profitability was becoming a norm with generally stabilised asset quality and rather strong risk compensation capability.

The banking industry is a typical cyclical industry, but it is currently in a critical period of structural change. For a longer period of time in the future, structural factors will replace cyclical factors and the banking industry will continue to face differentiation. With the continuous adjustment of economic structure and the continuous switch between new and old growth engines, the banking industry is compelled to accelerate the pace of "light capital" transformation and speed up the reshaping of differentiation strategy, so as to effectively control various risks and achieve quality development under a more complicated economic growth environment.

Looking forward to 2022, while the global economy is expected to continue its recovery path with positive progress in COVID-19 vaccines and special drugs, it is still confronted by the threat of COVID-19 strain mutations. In general, the main contradiction in the US and European economies is high inflation rather than economic growth. As economic activities continue to return to normal, the supply-demand gap in the US and European economies is expected to narrow down. The focus of recovery will lean towards service industry, the spillover of commodity demand is expected to be reduced accordingly, and the supply constraints are expected to be restored endogenously, which will be significantly improved by mid-2022. Correspondingly, inflation in the US and Europe may remain high in the short term and is expected to enter a downward trajectory by mid-2022. However, the impact of COVID-19 mutations and the "wage-price" spiral may continue to cause high inflation. Under the risk of high inflation, the US Federal Reserve will complete its bond purchase reduction in March 2022 and decide the timing and frequency of subsequent interest rate hikes depending on the inflation development.

In contrast to the US and Europe, the main contradiction of China's economy in 2022 is the increasing downward pressure on the economy, which will ease the pressure on inflation. In terms of economic growth, although the current multiple supply constraints faced by China are expected to ease marginally, the overall demand is weak, the structure is significantly changing, the growth rate of external demand and real estate investment may drop significantly, the consumption will probably remain in weak recovery, the investment momentum in the manufacturing industry will decline marginally, and the infrastructure investment is expected to rise in a counter-cyclical cycle. The cross-cycle and counter-cyclical macro-control policies will be organically combined, and the fiscal policies and monetary policies will be coordinated to play the role of economic safety net. In terms of inflation, with the easing of supply constraints at home and abroad, the structural inflation pressure in China will be significantly reduced, and the year-on-year growth rate of PPI is expected to decline steadily. The year-on-year growth rate of CPI will increase due to the reversal of the hog cycle, but the overall trend will remain moderate.

Under the current economic landscape, the Company intends to increase loans and advances to customers by approximately 11% and expects that the customer deposits will increase by approximately 12% in 2022.

The Company believes that the growth potential of the traditional banking business model will be further narrowed down under the "threefold pressure" of economic development. In order to open up a new world for development, we need to comprehensively review our own business services not from the perspective of a bank but the perspective of customers by studying, grasping and solving customer pain points and needs. The 3.0 business model refers to the development model that shifts from the perspective of a bank to the perspective of customers. Under the severe and complicated external environment, the Company will further maintain its confidence and determination with regard to thinking, strategy and action, firmly establish the value of "Focus on Customer, Creating Value for our Customers", guide the implementation of strategy with our value, and continue to promote the 3.0 model. Specific strategies are as follows.

The first is to upgrade the wealth management service system. The Company will focus on building customer-centric asset allocation capabilities to enhance the competitiveness of wealth management, and strive to solve problems including misleading sales orientation, unreasonable product structure, insufficient service access and inconsistent services. We will comprehensively promote the "original intention plan" which focuses on improving experience of both customers and employees and systematically improves wealth management capabilities, implement the "TREE Asset Allocation System", improve the execution capabilities of the middle-office, and facilitate the transformation of relationship managers to wealth management experts. In addition, the Company will accelerate the construction of the "people + digitalisation" operation system, strengthen the organic synergies among all channels such as outlets, the Network Operation Service Center and App, improve the capability of breakpoint operation, and pay close attention to service quality and experience in order to create an around-the-clock service network from being your companion to being your professional investment consultant.

The second is to strengthen the integrated service of ICPT. Based on the enterprise's business logic, the Company will integrate the decentralised advantages of investment banking, commercial banking, private banking and technology and research services, effectively cover customers of different stages, different industries and different characteristics with differentiated and targeted services, thereby forming the unique integrated service characteristics of ICPT In line with the trend of ecological operation of strategic customers, the Company will, from the perspective of maximising customer value, explore system and mechanism innovation with project-based approach as the core, and integrate internal resources in order to plan for the overall layout of customer operation.

The third is to accelerate the construction of the "six all" risk management system. The Company will further broaden the horizon of risk management, and transform from focusing on assets to focusing on the comprehensive chain of investors, products, cooperative institutions and underlying assets, thereby consolidating the centralised risk management system from the perspective of customers. In line with the trend of the optimising supply and demand pattern of traditional industries, the increasingly blurred nature of customers' industries and the ecology-based operation of customers, we will optimise the authorisation for industry and customer access and strengthen the process management of policy implementation, improve the flexibility and mobility of the organisational form and working mechanism of loan approval, eliminate the division of labor between the loan approval teams of the Head Office and those of branches, and establish the loan approval mode for different customer service scenarios in order to further standardise the perception across the Bank.

The fourth is to accelerate the construction of digital operation model. The Company will make full use of digital means to improve the efficiency of customer service, and improve the capabilities to organise and apply digital awareness in order to analyse and solve pain points of customers. Focusing on key areas of digital application, we will increase investment in areas such as investment research, digital risk control, smart wealth management and open platform. Moreover, the Company will further consolidate the underlying technology foundation for digital application, promote the construction of cloud platform, strengthen the capabilities of technology middle-office and data middle-office, apply micro-services to systems, and turn micro-services to products in order to further consolidate the data foundation.

The fifth is to strengthen the strategic implementation of the 3.0 model. The Company will build a team of cadres and employees with "values higher than KPI", strengthen the key role of management in value guidance, and improve the capabilities of management to understand and implement strategies, so that management will be able to "redefine tasks" and understand the strategic focus and business logic behind KPI. Moreover, the Company will vigorously advocate the "Simple Work Management Tips", optimise the evaluation standards of cadres, and take the practice of values as the primary standard for evaluating and choosing cadres.

Assuming social responsibilities
Spreading amiability and strength

Implementing the corporate social responsibility concept of "originating from society and returning to society" to extend public welfare to various fields such as rural revitalisation, education and public health

Environmental, Social and Governance (ESG)

4.1 ESG Review

Reaching the brand new development phase of the "14th Five-Year Plan", the Company continued to uphold the social responsibility philosophy of "originating from society and returning to society", undertaking of "striving for sustainable finance, enhancing sustainable value and contributing to sustainable development"as its goal of sustainable development. Fully integrating the concept of environmental, social and governance (ESG) into the Company's daily operation and management, the Company continuously improved the sustainable development management mechanism while appropriately communicating with stakeholders, thereby striving to achieve quality, efficient, fair, sustainable, and safe development.

In order to further improve the quality and efficiency of ESG work, the Company promoted and improved the relevant responsibilities of the Board of Directors at the top-level design. In August 2021, the green finance-related responsibilities were incorporated into the terms of reference of the Strategy Committee under the Board of Directors. In January 2022, upon the resolution approved by the Board of Directors, the "Strategy Committee under the Board of Directors" was renamed as the "Strategy and Sustainability Committee under the Board of Directors" so as to perform ESG-related responsibilities in a coordinated manner (this resolution will take effect after the completion of revising the Articles of Association of the Company and other related documents), which further ensured the formation of clear governance structure, smooth information communication, and sophisticated working mechanism in relation to ESG.

During the reporting period, the Company took the initiatives to cope with climate change and vigorously promoted the development of green finance; comprehensively served the real economy and supported the improvement of people's livelihood; continuously improved the accessibility of financial services and equipped itself with Fintech tools to provide customers with low-cost and affordable financial services anytime and anywhere. The Company attached great importance to the security of financial products, information security and privacy protection and consumer rights protection, created a high-quality working environment for employees and realised the effective connection between the consolidation of poverty alleviation and the revitalisation of rural areas. In 2021, the Company achieved social contribution value of RMB14.36 per share[26] (calculated on the Group's statistical caliber) and made external donation of RMB32.23 million in aggregate.

In September 2021, MSCI upgraded the Company's ESG rating from BBB to A.

For further information on the ESG of the Company, please refer to China Merchants Bank Co., Ltd. Sustainability Report 2021 published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

4.2 Environmental Information

In support of the national "3060" goal in reaching carbon emission peak and achieving carbon neutrality, the Company comprehensively promotes green finance and green operation to build a green homeland. The Company had no material environmental violations during the reporting period.

4.2.1 Green finance

During the reporting period, the Company incorporated green finance responsibilities into the terms of reference of the Strategy Committee under the Board of Directors. At the same time, the Company specified its strategic objectives and strategic measures related to green finance, formulated the "CMB 'Dual Carbon' Working Mechanism and Action Plan", and established a green finance inter-departmental collaboration team at the Head Office level so as to continuously improve and refine the green finance management mechanism.

The Company vigorously innovated green products and services, served the development of green industries via financial measures, thereby supporting the transformation of economic and social activities towards green, low-carbon and sustainable development.

26 Social contribution value per share = basic earnings per share + (taxes paid + employee expenses + interest expenses + total external donations)/total share capital of ordinary shares at the end of the period.

In terms of green credit, the Company has formulated and improved credit policies such as "Green Credit Policy", "Credit Policy for Energy Conservation and Environmental Protection Industry", " Credit Policy for Photovoltaic Power Generation Industry" and "Credit Policy for New Energy Vehicle Industry", covering energy conservation, environmental protection, new energy vehicles, hydropower, wind power, photovoltaic power generation, photovoltaic manufacturing, biomass power generation and other industries. The Company actively promoted the digestion, integration, transfer and elimination of overcapacity industries, strictly controlled new loans to industries with high pollution and high energy consumption, adhered to the one-vote veto system for environmental assessment, and avoided any involvement of the low-level and redundant projects in industries with "high pollution, high energy consumption and overcapacity". For enterprises operating in environmentally sensitive industries featured with "high pollution and high emission", the Company stringently reviewed whether the environmental impact evaluation, energy-saving review and pre-approval review on land use regarding the relevant projects have been passed. For projects and enterprises which failed to meet the environmental protection regulations, no credit facility will be granted, and the granted credit facility will be withdrawn. As at the end of the reporting period, the Company's balance of green loans was RMB263.842 billion, representing an increase of RMB55.254 billion or 26.49% as compared with the beginning of the year, 19.49 percentage points higher than the growth rate in corporate loan, and accounting for 14.02% of the total corporate loan. Green loans were mainly granted to the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure and green services. During the reporting period, the Company obtained funds from carbon emission reduction support tools granted by the People's Bank of China and granted loans in respect of carbon emission reduction of RMB6.974 billion to 70 projects, resulting in a carbon emission reduction of 1.2152 million tons of CO_2 equivalent. During the reporting period, in terms of green credit, CMB Financial Leasing provided service to 78 customers in new energy power generation and granted loans of RMB16.5 billion; and served 18 customers in energy conservation and environmental protection and granted loans of RMB2.4 billion.

In terms of green bonds, during the reporting period, the Company issued 2 USD bonds under the "Green, Social Responsibility and Sustainable Development Bond Framework of China Merchants Bank" with a total issuance size of USD600 million. The Company served as leading underwriter for 38 green bonds with issuance size of RMB61.372 billion. CMB Financial Leasing issued dual-currency "carbon-neutral" themed green bonds with issuance size of USD900 million and EUR100 million, respectively, which was the first Euro green bonds issued by a Chinese financial leasing company.

In terms of green investment, the Company proactively introduced wealth management products with ESG concept to provide retail customers with a diversified selection of ESG wealth management products. During the reporting period, the Company's agency sales of new energy and photovoltaic industry funds amounted to approximately RMB17.8 billion, and distributed CMB Wealth Management Zhao Rui Rui Yuan Wen Jin (ESG Select) (招銀理財招睿睿遠穩進(ESG精選)), a type of one-year enhanced fixed-income wealth management scheme products and 3 ESG wealth management schemes issued and managed by the wealth management subsidiary of peer bank. Joining the Green and Sustainable Investment Committee organised by AMAC, China Merchants Fund actively participated in the research organised by the AMAC on ESG-related issues and took the lead in the research of due diligence ESG management and product specifications regarding bond funds. As one of the first companies to issue product with application of CSI ESG index, China Merchants Fund issued and established the Shanghai and Shenzhen 300ESG ETF (Exchange Traded Funds). As at the end of the reporting period, there were 5 existing ESG-related products, with an existing size of RMB1.462 billion and a size growth rate of 129%.

Meanwhile, the Company actively disseminated the concept of green environmental protection to the public. At the beginning of 2022, the Company launched the "Carbon Quest 2021(碳尋2021) Annual Bill" campaign with the theme of "carbon neutrality" through CMB APP, combining the theme and content of low-carbon life with the user's income and expenditure in the past year, and appealing to everyone, starting from his/her own consumption behavior, for taking action and working together to achieve low-carbon and sustainable development, and the number of participants has reached nearly 10 million.

4.2.2 Green operation

The Company continued to promote the establishment of smart service system. By strengthening smart service capabilities, enriching online services, and optimising service points, the Company provided a wide range of digital financial services to hundred-million customers to reduce the frequency of customers going to physical outlets for business in an effective manner, thereby decreasing carbon emissions from customer travel. The Company also encouraged credit card customers to accept electronic bills. As at the end of the reporting period, with the proportion of credit card electronic bills exceeding 99%, the Company saved more than 1.9 billion pieces of paper in billing and realised an environmentally friendly transformation toward green operation.

The Company adhered to the concept of green operation and green office, striving to reduce the impact of operation on the environment.

In terms of energy management, the Company has adopted various energy-saving measures to promote the reduction of carbon emissions from operational activities. The first was to renovate the lighting system, replace and upgrade the lightings of the Head Office Tower and Shenzhen R&D data center with LED energy-saving lamps, install smart lighting systems on the shared office floor, and set up sensing devices in the negotiation room, conference room and other areas. The logo lights of Head Office Tower were retrofitted to dimmable lights to further reduce energy consumption. The second was to optimise the air-conditioning system, and renovate and upgrade the air-conditioning systems of the Head Office Tower, Pinghu Data Center in Shenzhen, and Zhangjiang Data Center in Shanghai so as to save electricity. The third was to apply the smart energy system, and install smart water and electricity meters on the floors and equipment rooms of the Head Office Tower to collect information of and monitor energy consumption on a real-time basis, while intending to complete data storage and analysis through a third-party system platform to reduce unit energy consumption of the tower. The fourth was to publicise the concept of environmental protection, post energy-saving signs in all public areas of office, strengthen the publicity of energy-saving activities such as National Energy Conservation Week, Earth Day, and Low Carbon Day, and encourage employees to commute and work in a green way.

In terms of water resources management, the Company earnestly carried out water conservation publicity and water conservation sign posting; replaced lift-up faucets with sensor faucets; used high-pressure scrubbers to clean the square floor; timely conducted inspection and maintenance to eliminate water running, overflowing, dripping and leaking; removed bottled water in the break room and completed direct drinking fountain renovation; partly adopted the air-cooled heat dissipation in the Shenzhen R&D Data Center and Pinghu Data Center in Shenzhen, which can substantially save the water consumption resulting from heat dissipation of the air-conditioning system as compared with the heat dissipation of the open cooling tower.

In terms of paper management, the Company promoted paperless office, advocated double-sided printing to reduce paper documents; continuously optimised the office platform "Zhaohu (招乎)" and normalised online meeting and training, which led the reduction of voluminous paper consumption while reducing carbon emissions due to employee commuting. During the reporting period, as the only representative of a financial enterprise in Shenzhen City, the Company carried out integrated financial management involving "invoices, bills, taxation, and filing", so that the entire process of reimbursement from submission to filing can be completed as fast as 6 minutes, saving cost incurred from printing, delivering, sorting out and filing numerous paperback accounting information, thereby achieving the good deeds of environmental protection with simple actions.

In terms of waste management, the Company has set up various treatment methods for different types of wastes to ensure that wastes shall be treated in a timely and scientific manner.

4.3 Social Responsibility Information

4.3.1 Serving the real economy

The Company adhered to the origin of financial institutions serving the real economy, continued to channel financial resources to key areas of the real economy and weak links in the development of people's livelihood, and improved the quality of financial offerings by leveraging its advantages in extensive wealth management and Fintech to effectively meet the needs of high-quality economic and social development.

During the reporting period, in active response to the regional development strategy of China, the Company carried out economic research in key regions such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta, provided regional financial planning services for local governments and local government financing platform enterprises, and increased credit support for key regions.

Focusing on the needs of new growth engine companies, the Company integrated various resources to provide companies with comprehensive and full life-cycle services, strategically supported cutting-edge manufacturing projects that fill the gap in domestic market and assisted excellent manufacturing enterprises in enhancing market competitiveness through technological innovation, research and development, cutting-edge technology commercialisation, strategic mergers and acquisitions, etc.. As at the end of the reporting period, the Company's balance of loans to strategic emerging industries was RMB219.154 billion.

The Company continued to increase input of resources, and separately set up a special limit for loans to small-sized enterprises of RMB20 billion in the credit facility of the Bank, requiring first-level branches to break down the special limit and implement. For companies with temporary difficulties in operation due to the pandemic, by full consultation with the companies and premised on controllable risks, the Company provided them with a temporary extension arrangement of principal and interest repayment pursuant to the principles of marketisation and the rule of law. The Company set up inclusive finance business indicators in the comprehensive performance appraisal plan for branches, with the weight accounting for more than 10%, and set up special marketing incentive fees to guide such branches to increase inclusive loan granting and support. The Company has successively released the rules including "Implementation Rules for the Accountability and Due Diligence of Small-sized Enterprises Engaging Credit Business" and the "Notice on Clarifying the Tolerance for Non-Performing Loans of Private Enterprises and Inclusive Small- and Micro-sized Enterprises", offered tolerance of non-performing loans in accordance with regulatory requirements, implemented due diligence and liability exemption therefore. In addition, the Company continuously improved the digital inclusive financial service system, provided online digital products and services to meet the needs of small- and micro-sized enterprises in terms of digital management, withholding and payment, short-term financing, daily management of accounts and payroll service, thereby solving the "last mile" problem of inclusive finance through digital solution. As at the end of the reporting period, the Company's balance of SME inclusive finance loans amounted to RMB601.100 billion, representing an increase of 18.22% as compared with the beginning of the year. The total number of registered users of CMB Zhao Dai (招貸) APP exceeded 2 million, and the credit facility of micro-finance loans applied and granted through CMB Zhao Dai (招貸) APP reached RMB164.741 billion for the year.

4.3.2 Supporting improvement of people's livelihood

The Company was committed to helping alleviate the weakness in the areas of people's livelihood such as pension, medical care, and education, and invested financial resources in the key areas that people paid great importance to.

In terms of pension, as one of the financial institutions with the most comprehensive pension licenses, the Company has licenses for enterprise annuity schemes, account manager and custodian, and China Merchants Fund, one of its subsidiaries has the license for enterprise annuity investment manager. As at the end of the reporting period, the Company' s entrusted scale of enterprise and occupational annuities totalled RMB138.234 billion.

In terms of medical care, the Company supported the Ministry of Human Resources and Social Security of the People's Republic of China to carry out the application of electronic social security cards, continued to carry out strategic cooperation with the National Healthcare Security Administration to promote electronic medical insurance certificates. As at the end of the reporting period, the Company has issued a total of 32.76 million of electronic social security cards and a total of 14.26 million of electronic medical insurance certificates.

In terms of education, the Company has assisted 44 competent education authorities at provincial, municipal and district-level to realise the whole-process management of after-school tutoring institutions via the " fund supervision system for after-school tutoring institution " independently developed by the Company, serving 1,622 after-school tutoring institutions. The Company cooperated with colleges in scenarios such as electronic campus card, electronic alumni card, and campus payment, which helped colleges to achieve informatisation upgrade.

In terms of housing, the CMB APP launched the national housing provident fund WeChat applet developed by the Ministry of Housing and Urban-Rural Development, covering all 341 urban provident fund centers and approximately 150 million housing provident fund contributors nationwide.

4.3.3 Access to financial services

In terms of physical channels, the Company continued to promote the construction and layout optimisation of domestic branches. During the reporting period, 67 new outlets were opened, and more than 120 existing outlets were relocated and optimised. Through steady increase in number of outlets and scientific location selection, the effective coverage of outlets was further expanded and more efficient offline financial services were provided to customers.

In terms of electronic channels, the Company has built a comprehensive online business capability matrix leveraging its long-term accumulation of technological capabilities such as big data, artificial intelligence and cloud computing. Such capability matrix includes: migrating various services to online channels such as mobile APP and WeChat to support users handle various businesses without leaving their homes; formulating customer group operation strategies based on a bank-wide business platform to reach and serve users online in multiple dimensions, such as online live broadcast and AI Xiao Zhao (AI 小招); supporting branches to provide online localised and personalised services, such as special zone in branches and online stores of outlets; strengthening the 95555 manual customer service and providing 24/7 smart customer service; creating an open platform to coordinate with third-party wealth management institutions to provide online wealth management, companionship and other services. Through online multi-channel services, the Company served all customers including those in areas that cannot be covered by physical outlets, and used digital technology to improve the efficiency and coverage of financial services, making financial services affordable and easy to access, thereby significantly reducing users' demand for physical outlets and offline manual services, so that users can enjoy the "uninterrupted" ultimate caring service without going to the outlets in person.

At the same time, the Company actively promoted the elderly-oriented and barrier-free transformation of online and offline financial service channels, helped special groups, including the elderly and the disabled, to overcome their difficulties in using digital channels, and ensured that all groups can equally and effectively enjoy high-quality financial services.

In terms of elderly-oriented transformation, during the reporting period, CMB APP launched a special version for the elderly, and CMB Life APP launched a large-font care version to provide considerate service to the elderly. In November 2021, the Company launched 95555 elderly-oriented "Dedicated Line for the Elderly (頤享專線)", and as at the end of the reporting period, we have provided 6,420 quick access to one-stop exclusive manual services for elderly customers, with a connection rate of 96.63% of the "Dedicated Line for the Elderly (頤享專線)".

In terms of barrier-free transformation, the Company provided convenient services for the disabled by setting up ramps for the disabled, one-button calls, wheelchairs for the disabled, and posting assistance telephone numbers at barrier-free passages. As at the end of the reporting period, all domestic outlets of the Company have been equipped with barrier-free services.

4.3.4 Security of financial products

The Company adopted various measures to ensure compliance in the sales of products and effectively protected the interests of customers.

The Company has set up a strict product access and risk assessment process. In terms of the introduction of cooperative institutions and agency sales products, the Company strictly complied with the internal and external regulations and requirements, conducted in-depth research, strict access and unified management for seed candidates and all kinds of asset management products, and established a risk control mechanism for the whole process of product access, marketing and after-sales service. In terms of the display of agency sales products, the Company highlighted the reminders of product management agencies, risk rating and investment duration in various sales channels and information query platforms, so as to help customers identify the sources and elements of products. In terms of system restrictions, the sales system is able to clearly remind or restrict customers to avoid purchases that excess their risk appetite. In terms of sales quality control, the Company set up special areas for wealth management (agency sales) products sales in its outlets to strictly implement the requirements on audio and video recording during the sales process.

The Company was committed to building a full-process companion system for products. Through live product roadshows, a series of investor education articles and one-minute short videos on wealth management, we helped customers better understand wealth management products; through the interpretation of relevant policies and regulations, investment strategy reviews and comments, quarterly product operation reports, aperiodic market fluctuation reviews, we popularised financial knowledge to customers; through continued expansion of companion service for online wealth management products, we constantly improved after-sales service experience.

Information security and privacy protection

The Company attaches great importance to the protection of customer privacy and data security management, and actively implements the requirements of national laws and regulations as well as financial industrial standards such as "Network Security Law of the People's Republic of China" (《中華人民共和國網絡安全法》), "Personal Information Protection Law of the People's Republic of China" (《中華人民共和國個人信息保護法》) and "Personal Financial Information Protection Technical Specification" (《個人金融信息保護技術規範》), so as to make every effort to protect the security of personal information.

Regarding the information security and privacy protection of retail customers, the Company issued the "Management Measures for Retail Finance Personal Information of China Merchants Bank (Fifth Edition)" (《招商銀行零售金融個人信息管理辦法(第五版)》), set up a safety protection system for the whole life cycle, from collecting, transmitting, using, sharing to saving retail financial personal information, as well as the treatment mechanism for personal information protection such as emergency plan, risk management, supervision and inspection, and personal information complaint channel, carried out tiered and classified authorisation management, strictly controlling the scope of authorisation for personal information inquiry, enhancing the safety impact assessment and management on the use of personal information, standardising the approval management of personal information use, carrying out internal control and inspection, emergency drill and other activities of personal information, and strengthening the publicity and education of personal information protection, in order to strictly prevent data leakage risks.

Regarding the information security and privacy protection of corporate customers, the Company issued the "Management Measures for Users of Wholesale Customer Relationship Management System of China Merchants Bank (Second Edition)" (《招商銀行批發客戶關係管理系統用戶管理辦法(第二版)》), and strictly controlled system users and the content of corporate customer information that users can access. Important customer information was labelled, and customer behavior was refined through such labels to avoid leakage of detailed customer information. Customer information was divided into more than 100 modules, and different modules were controlled under different authorisations, sensitive information could only be viewed by authorised personnel, and browsing traces for customer information inquiries and access were kept.

During the reporting period, the Company did not have any major incident of Internet security, information security or privacy leakage.

4.3.5 Consumer rights protection

The Company attaches great importance to the protection of consumer rights, has always been committed to building the bank with best customer experience. By dynamically integrating the "People-centered" philosophy with the "Customer-centered" value, the Company adheres to the notion of "extensive wealth management system with the companionship of consumer protection throughout the whole process", so as to earnestly implement the requirements of the People's Bank of China and China Banking and Insurance Regulatory Commission for the protection of consumer rights.

During the reporting period, the Company effectively assumed the main responsibility of consumer rights protection. With great focus by the Board of Directors and the senior management, the Company continued to promote the integration of self-discipline supervision and business development, so as to make its own contribution in the prevention and mitigation of financial risks, create a pure environment for financial consumption, and "satisfy people's new expectations for a better life". During the reporting period, the Company revised the documents such as "Application for Opening Personal Account" (《個人賬戶開戶申請書》), "Service Agreement of CMB Life Platform" (《掌上生活平台服務協議》) and "Wealth Management Product Sales Agreement of China Merchants Bank" (《招商銀行理財產品銷售協議書》), fully respected and consciously protected the legitimate rights of consumers, actively implemented a pre-examination mechanism for the protection of consumer rights to shift the risk threshold forward, identified and corrected potential hazards that may harm the legitimate rights of consumers from the customers' perspective, covering all aspects including design and development, pricing management, agreement formulation, marketing and publicity of product and service, and conducted 34,063 consumer rights protection reviews during the reporting period. Special trainings on consumer rights protection comprehensively covered senior management, business line personnel related to consumer rights protection, grassroots personnel and new employees, with more than 80,000 participants. In terms of performance appraisal, the Company included the protection of consumer rights and the handling of consumer complaints into the comprehensive assessment index system of branches and the Head Office. In terms of independent auditing, the Company put the protection of consumer rights into the scope of the annual audit as the focus of audit work every year.

The Company provided consumers with convenient ways to obtain information on consumer rights protection, opened up a large-font column of customer rights protection on the official website of "All-in-one Net", published information such as complaint handling procedures and acceptance channels in various ways, and updated financial knowledge, case study and work briefings from time to time.

During the reporting period, the Company received a total of 21,628 complaints transferred from regulatory authorities. The regional distribution is shown in the table below.

Region	No. of complaints	Region	No. of complaints	Region	No. of complaints
Beijing	223	Fujian	67	Yunnan	64
Tianjin	108	Jiangxi	70	Tibet	–
Hebei	25	Shandong	191	Shaanxi	78
Shanxi	46	Henan	41	Gansu	3
Inner Mongolia	11	Hubei	225	Qinghai	7
Liaoning	92	Hunan	67	Ningxia	14
Jilin	13	Guangdong	232	Xinjiang	30
Heilongjiang	61	Guangxi	20	Dalian	30
Shanghai(Note)	17,876	Hainan	5	Ningbo	23
Jiangsu	206	Chongqing	62	Xiamen	56
Zhejiang	118	Sichuan	179	Qingdao	68
Anhui	62	Guizhou	9	Shenzhen	1,246

Note: including complaints related to credit cards.

During the reporting period, the rate of customer feedback (including customer complaints, rational suggestions and opinions) of the Bank was 0.33%. According to the business classification of customer feedback, debit cards accounted for 39%, and credit cards accounted for 61%.

During the reporting period, the Company developed publicity and education plans on different topics according to different groups of people and at different timing. In the "March 15 Financial Consumer Rights Day", "Popularising Financial Knowledge and Guarding Your Money Bag" and "Financial Knowledge Popularisation Month, Financial Knowledge Enters Ten Thousand of Homes, Strive to be a Rational Investor and Strive to be a Good Financial Netizen" activities in 2021 organised by the regulatory authorities, the Company organised a total of 22,608 activities with 641 million consumers attended. The Company has established long-term publicity and education zones in all outlets, actively carried out publicity activities in campuses, communities, factories and companies to effectively remind consumers of financial risks, intercepted frauds, and encouraged branches to carry out diversified normal financial knowledge publicity activities in accordance with local conditions. The Company actively created a variety of online publicity campaigns, such as mini games, videos, music videos and interactive graphics and texts, and cross-industry publicity. "Zhao Xiao Bao (招小寶)", the Company's financial knowledge popularisation and consumer education brand, successively published more than 70 short videos on financial knowledge on WeChat video account, with a cumulative view of more than 100 million, and a single video with up to 20 million views. Some original video works were reposted by the Criminal Investigation Bureau of the Ministry of Public Security and the National Anti-fraud Center.

4.3.6 Human resources development

In terms of recruitment management, the Company is committed to eliminating discrimination in terms of gender, age, ethnicity, family status, religion, sexual orientation and social origin in recruitment and employment, and stipulates that discriminatory descriptions are strictly prohibited in external recruitment announcements. The Company focuses on campus recruitment, which is supplemented by social recruitment, the recruitment channels are mainly resume delivery on the official website and internal recommendation. During the reporting period, the Company made every effort to build the best employer brand, publicised through "online+offline" channels in a three-dimensional all-round manner via carriers that attract young people like short videos and long graphics and texts, so as to attract more excellent talents in the extent possible.

In terms of remuneration management, the Company adheres to the principle of gender equality in remuneration and benefit, and sticks to the notion that gender is not a factor affecting remuneration and benefits. At the same time, the annual remuneration analysis report focused on the remuneration and benefits of different genders, and no abnormalities were found. The Company adjusts the salary standard of different posts according to the market situation and provides employees with competitive remuneration.

In terms of career development paths, the Company has established a dual-channel development system for employees with management capabilities or professionalism, which has changed the single, narrow and administrative cadre promotion channel that used to be like "thousands of men trying to cross a thin little log over a river". At the same time, a reserve talent pool has been established to encourage employees to choose their own posts, so that employees can be their own masters.

In terms of performance appraisal, the Company continues to optimise the closed-loop performance management of the whole process, and satisfies the actual needs in performance appraisal through various methods. The Company supervises objective setting, process coaching, performance evaluation and results communication, and prompts quarterly and annual performance communication in a timely manner. The Company optimised the 2021 employee appraisal plan, and added value evaluation to the appraisal plan for cadres and staff at various levels. The Company held two training courses for certified performance managers and completed the certification of 50 performance managers within the year. The Company realised online operation of full performance management process, and improved the professional capability and management level of teams in each business line.

In terms of employee training, during the reporting period, the Company continued to improve the comprehensive employee training system covering different employees and business lines. In terms of new employee training, the single training model was upgraded to a "three-in-one" comprehensive model of centralised training, remote connection and open classrooms. During the reporting period, 100% coverage of new employee induction training was achieved. In terms of professional staff training, we have built a cross-business line integrated curriculum system, enhanced the customisation and professionalism of curriculum, and stimulated the motivation of employees to learn. For the training of leaders and cadres, a "CMB-oriented, light-model and normalised" management cadre training system was established, and refined leadership training was promoted at different levels, a training plan was formulated by focusing on "strategy, culture and team leadership", a closed learning loop that includes pre-assessment, online learning, intensive study and discussion, on-the-job practice and post-evaluation was built. During the reporting period, the Head office organised and carried out 29 leadership training sessions, with 1,194 management cadres attended.

In terms of employee health, safety and welfare, the Company advocates the work philosophy of "Happy Work, Healthy Life" and provides comprehensive non-salary benefits to employees. The Company actively responds to the implementation of national maternity policy, implements maternity leave in accordance with the requirements of the place of operation, and pays remuneration and benefits as normal attendance during maternity leave. In accordance with the requirements of laws and regulations and in consideration of the actual situation, an enterprise annuity system has been established and operated for nearly 20 years since 2001, and the Company continued to provide holiday greetings, physical examinations, short-term group personal insurance and critical illness insurance, supplementary medical insurance and other benefits to the retired employees.

4.3.7 Rural revitalisation

The Company resolutely implemented the relevant requirements of "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalisation and Accelerating the Modernisation of Agriculture and the Countryside" (黨中央、國務院《關於全面推進鄉村振興加快農業農村現代化的意見》) and "Assessment and Evaluation Measures for the Effectiveness of Paired-up Poverty Alleviation of State-owned Entities" (《中央單位定點幫扶工作成效考核評價辦法》) by increasing the assistance to Wuding and Yongren counties in Yunnan instead of reducing the assistance in the five-year transition period starting from the date of poverty alleviation. Taking consolidating the achievements in poverty alleviation and effectively linking up rural revitalisation as the guiding principles of rural revitalisation assistance, the Company gradually realised the smooth transition from pooling resources for poverty alleviation to consolidating the achievements in poverty alleviation and comprehensively promoting rural revitalisation.

During the reporting period, the Company formulated the "CMB 2021 Rural Revitalisation Work Plan" (《招商銀行2021年鄉村振興幫扶工作計劃》), and actively carried out paired-up poverty alleviation focusing on five aspects, i.e. industrial revitalisation, talent revitalisation, cultural revitalisation, ecological revitalisation and organisational revitalisation, for which the Company invested supporting funds of RMB48,586,300, helped raise supporting funds of RMB9,036,000, trained 2,042 grassroots officials and 3,869 technicians, purchased agricultural products worth RMB13,955,500 from poverty-stricken areas, and helped poverty-stricken areas sell agricultural products worth RMB5,580,200 in Wuding County and Yongren County, Yunnan Province, thus further consolidating the achievements of "guarantee the supply of food and clothing, guarantee compulsory education, basic medical care and housing safety", and successfully accomplishing the tasks of paired-up poverty alleviation designated to State-owned entities. At the same time, President Tian Huiyu and Executive Vice President Wang Yungui led respective teams to conduct research on poverty alleviation in each of the two counties, and offered on-site guidance on poverty alleviation.

Next, the Company will focus on researching and assisting the two counties to establish a mechanism to prevent the reoccurrence of poverty. By focusing on both increasing income and preventing the reoccurrence of poverty, the Company will explore the establishment of a long-term mechanism for solving the poverty problem and effectively link poverty alleviation with rural revitalisation centering around the rural revitalisation strategy.

4.4 Governance Information

The Company continued to improve and perfect its modern corporate systems, upheld prudent operation and strengthen risk control, so as to promote quality development with high quality of corporate governance. The core of the Company's corporate governance mechanism is to adhere to the leadership of the Party, strengthen Party-building, continuously play the core role of the Party in corporate governance, and integrate the leadership of the Party into all aspects of corporate governance. The key to the Company's corporate governance mechanism is to adhere to the President assuming full responsibility under the leadership of the Board of Directors, the market-based talent selection and employment mechanism and the remuneration incentive mechanism. The Company's shareholding structure is reasonable and the shareholders' behaviors are regulated. The Shareholders' General Meeting is the Company's authority and exercises its powers according to law. The Board of Directors, the Board of Supervisors and the senior management diligently perform their duties with emphasis on the Company's adherence to the President assuming full responsibility under the leadership of the Board of Directors, which provides a fundamental guarantee for the long-term, healthy and sustainable development of the Company. The Board of Directors mainly controls overall situation, steers development direction and ensures efficient implementation, with focus on strategic guidance, risk management, incentives and constraints. The Board of Supervisors performed its supervisory functions comprehensively and thoroughly in respect of major issues relating to the operation and development of the Company. It actively carried out supervision and evaluation of the performance of the Board of Directors, senior management and their members, with emphasis on strengthening the supervision of development strategies, financial activities, internal control and risk management in a scientific, standardised and effective manner, so as to effectively safeguard the legitimate rights of corporate governance stakeholders such as the Company, its shareholders and employees. The Company has established a sound hierarchical discussion and management authorisation system under which the President is accountable to the Board of Directors. The Company adheres to the market-oriented talent selection and employment mechanism and the remuneration incentive mechanism to fully stimulate the vitality of talents, and guides officials and employees to establish the concept of sharing interests and risks with the Company, thereby providing a strong mechanism guarantee for its long-term stable development.

During the reporting period, the Board of Directors of the Company effectively performed its relevant duties in environmental, social and governance (including ESG matters such as green finance, inclusive finance, human resources, consumer rights protection, philanthropy and social responsibilities). The Board of Directors and its relevant special committees reviewed and approved the relevant resolutions on the "14th Five-Year Strategic Plan (2021-2025) of China Merchants Bank", the "Report on Performance in Risk Management under the Trend of Green Finance", the "Inclusive Finance Development for 2020 and Work Plan Report for 2021", the "Human Resources Management and Talent Strategy Implementation for 2020", the "Employee Behavior Evaluation Report for 2020", the "Work Report on Consumer Rights Protection for 2020", the "Bank-wide Customer Complaint Analysis Report for 2020", the "Sustainable Development Report for 2020", the full text and summary of 2020 Annual Report, and the full text and summary of 2021 Interim Report, so as to further promote the Company's active development of green finance to serve the national goal of carbon peak and carbon neutrality, strictly implement the national policy on inclusive finance, vigorously enhance the awareness and strength of consumer rights protection, thoroughly implement the responsibility of "originating from society and returning to society", and work together with all stakeholders to promote a better society. In addition, in accordance with the guidance of national policy and requirements of regulatory policy, the Company has included the duties in relation to green finance into the duties of the Strategy Committee under the Board of Directors. At the same time, the Company is planning to change the name of the "Strategy Committee under the Board of Directors" to the "Strategy and Sustainability Committee under the Board of Directors" to coordinate and perform ESG-related responsibilities.

During the reporting period, the Board of Supervisors of the Company studied and reviewed the "Inclusive Finance Development for 2020 and Work Plan Report for 2021", the "Internet Loan Development for 2020 and Work Plan Report for 2021", the "Work Report on Consumer Rights Protection for 2020" and the "Sustainable Development Report for 2020", focusing on the Board of Directors and senior management's duty performance on the issues related to inclusive finance, green finance, consumer rights protection and social responsibilities, and put forward opinions and suggestions.

For more details on corporate governance, please refer to Chapter V.

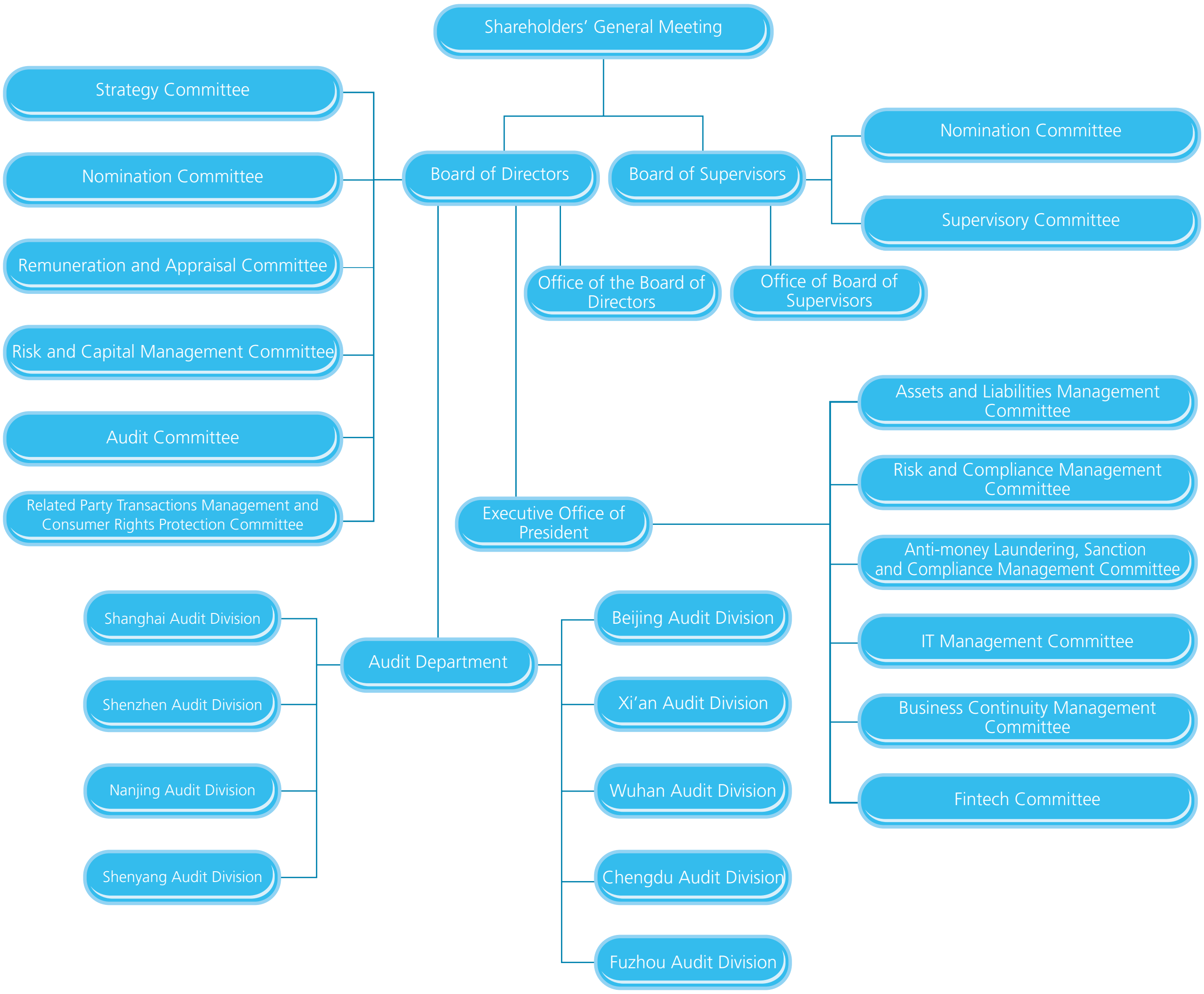
Adhering to the philosophy of wealth for common good

Helping you to achieve everlasting growth

Providing "personal-family-corporate-social"private banking service system to high-net-worth individuals and their enterprises

Corporate Governance

5.1 Corporate Governance Structure



5.2 Overview of Corporate Governance

During the reporting period, the Company convened 1 Shareholders' general meeting, reviewed 14 proposals and heard 5 reports, as further described in "Information about Shareholders' General Meetings".

During the reporting period, the Company convened 14 meetings of the Board of Directors, at which 83 proposals were reviewed and 19 reports were heard; convened 30 meetings of special committees under the Board of Directors, at which 104 proposals were reviewed and 35 reports were heard; and convened 1 meeting of Non-Executive Directors, at which 1 report was heard. During the reporting period, the Company convened the 21st meeting, the 22nd meeting, the 23rd meeting, the 24th meeting, the 25th meeting, the 26th meeting, the 27th meeting, the 28th meeting, the 29th meeting, the 30th meeting, the 31st meeting, the 32nd meeting, the 33rd meeting and the 34th meeting of the 11th session of the Board of Directors on 17 March, 19 March, 23 April, 20 May, 31 May, 10 June, 25 June, 12 August, 13 August, 19 August, 13 October, 19 October, 22 October and 26 November, respectively, at which Directors paid most of their attention on reviewing the Company's annual financial reports, profit distribution plan, the "14th Five-Year Plan", the outline of the five-year plan for development of extensive wealth management, the outline of the five-year plan for development of Fintech, the outline of the five-year plan for the acquisition of risk management capability, the comprehensive risk report, the report on the execution of risk appetites, the report on capital adequacy, the report on the human resources management and the implementation of talent strategy, the work report of the Board of Directors, the report on the evaluation of performance of duties of the Board of Directors and its members, the report on the development of inclusive finance and its work plan, the work report on the anti-money laundering and sanction compliance, the report on the related transaction management, the report on the protection of consumer rights and the report on sustainable development, among other proposals.

During the reporting period, the Company convened 14 meetings of the Board of Supervisors, at which 36 proposals were reviewed and 26 reports were heard; and 8 meetings of the special committees under the Board of Supervisors, at which 10 proposals were reviewed. In addition, 2 collective researches were organised by the Board of Supervisors.

For details of the proposals reviewed by the meetings of the Board of Directors and the Board of Supervisors, please refer to the disclosure documents including the announcements on resolutions published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

Having conducted thorough self-inspection pursuant to relevant requirements of the Announcement Regarding Implementation of Special Actions on Listed Companies Governance ([2020] No.69) issued by CSRC and the Notice Regarding Promoting the Principal Responsibility of Listed Companies in the Jurisdiction for Enhancing Governance to Achieve High Quality Development ([2020] No.128) issued by CSRC Shenzhen Office, the Company was not aware of any material non-compliance of its corporate governance practice with the requirements set out in the laws, administrative regulations and CSRC's regulatory documents governing the corporate governance of listed companies.

5.3 Information about Shareholders' General Meetings

During the reporting period, the Company convened 1 Shareholders' general meeting, being the 2020 Annual General Meeting held in Shenzhen on 25 June 2021. The notice, convening, holding and voting procedures of such meeting were in compliance with the relevant requirements of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. 14 proposals were reviewed and approved at the meeting, including the 2020 Work Report of the Board of Directors, the 2020 Work Report of the Board of Supervisors, the 2020 Annual Report (including the audited financial report), the 2020 Financial Statement Report, the 2020 Profit Distribution Plan (including the declaration of final dividends), and the appointment of accounting firm for the year 2021. For details of the relevant resolutions reviewed and reports heard at the meeting, please refer to the disclosure documents including the 2020 Annual General Meeting documents, the general meeting circulars and the announcements on resolutions published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. For details of the attendance of Directors at the Shareholders' general meeting, please refer to "Attendance of Directors at relevant meetings" in this report.

5.4 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (in ten thousands)	Whether or not had received remuneration from the Company's related parties during the reporting period
Miao Jianmin	Male	1965.1	Chairman Non-Executive Director	2020.9–2022.6 2020.9–2022.6	–	–	–	Yes
Fu Gangfeng	Male	1966.12	Vice Chairman Non-Executive Director	2018.7–2022.6 2010.8–2022.6	–	–	–	Yes
Tian Huiyu	Male	1965.12	Executive Director President and Chief Executive Officer	2013.8–2022.6 2013.9–2022.6	335,500	335,500	419.83	No
Zhou Song	Male	1972.4	Non-Executive Director	2018.10–2022.6	–	–	–	Yes
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2007.6–2022.6	–	–	–	Yes
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11–2022.6	–	–	–	Yes
Su Min	Female	1968.2	Non-Executive Director	2014.9–2022.6	–	–	–	Yes

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (in ten thousands)	Whether or not had received remuneration from the Company's related parties during the reporting period
Wang Daxiong	Male	1960.12	Non-Executive Director	2016.11–2022.6	–	–	–	Yes
Luo Sheng	Male	1970.9	Non-Executive Director	2019.7–2022.6	–	–	–	Yes
Wang Liang	Male	1965.12	Executive Director	2019.8–2022.6	240,000	250,000	334.26	No
			First Executive Vice President	2021.8–2022.6				
			Chief Financial Officer	2019.4–2022.6				
			Secretary of the Board of Directors	2021.8–2022.6				
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2–2022.6	–	–	50.00	No
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11–2022.6	–	–	50.00	No
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11–2022.6	–	–	50.00	No
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8–2022.6	–	–	50.00	No
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8–2022.6	–	–	18.28	No
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8–2022.6	–	–	18.28	No
Xiong Liangjun	Male	1963.2	Chairman of Board of Supervisors, Employee Supervisor	2021.8–2022.6	240,000	240,000	321.23	No
Peng Bihong	Male	1963.10	Shareholder Supervisor	2019.6–2022.6	–	–	–	Yes
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6–2022.6	–	–	–	Yes
Guo Xikun	Male	1965.9	Shareholder Supervisor	2021.6–2022.6	–	–	–	Yes
Ding Huiping	Male	1956.6	External Supervisor	2016.6–2022.6	–	–	40.00	No
Han Zirong	Male	1963.7	External Supervisor	2016.6–2022.6	–	–	40.00	No
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6–2022.6	–	–	40.00	No
Wang Wanqing	Male	1964.9	Employee Supervisor	2018.7–2022.6	181,000	181,000	279.52	No
Cai Jin	Female	1970.7	Employee Supervisor	2021.12–2022.6	124,550	114,050	17.14	No
Wang Jianzhong	Male	1962.10	Executive Vice President	2019.4–2022.6	240,200	240,200	306.43	No
Shi Shunhua	Male	1962.12	Executive Vice President	2019.4–2022.6	245,000	245,000	306.65	No
Wang Yungui	Male	1963.6	Executive Vice President	2019.6–2022.6	160,000	210,000	306.43	No
Li Delin	Male	1974.12	Executive Vice President	2021.3–2022.6	200,000	204,400	306.65	No
Zhu Jiangtao	Male	1972.12	Executive Vice President	2021.9–2022.6	175,000	198,800	75.11	No

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (in ten thousands)	Whether or not had received remuneration from the Company's related parties during the reporting period
Xiong Kai	Male	1971.4	Secretary of the Party Discipline Committee	2021.7–present	225,600	225,600	149.12	No
Zhong Desheng	Male	1967.7	Executive Assistant President	2021.10–present	166,600	177,300	50.31	No
Wang Xiaoqing	Male	1971.10	Executive Assistant President	2021.10–present	–	–	–	No
Liu Jianjun	Male	1965.8	Former Executive Director	2019.8–2021.5	240,000	240,000	139.21	No
			Former Executive Vice President	2013.12–2021.5				
			Former Secretary of the Board of Directors	2019.7–2021.5				
Leung Kam Chung, Antony	Male	1952.1	Former Independent Non-Executive Director	2015.1–2021.8	–	–	31.72	No
Zhao Jun	Male	1962.9	Former Independent Non-Executive Director	2015.1–2021.8	–	–	31.72	No
Liu Yuan	Male	1962.1	Former Chairman of Board of Supervisors, Former Employee Supervisor	2014.8–2021.8	270,000	270,000	239.89	No
Wen Jianguo	Male	1962.10	Former Shareholder Supervisor	2016.6–2021.4	–	–	–	No
Liu Xiaoming	Male	1963.11	Former Employee Supervisor	2019.6–2021.12	145,000	145,000	202.69	No
Liu Hui	Female	1970.5	Former Executive Assistant President	2019.4–2021.5	222,100	199,400	108.61	No

Notes:

(1) The remuneration received by the Directors, Supervisors and senior management who were appointed or resigned during the reporting period is calculated based on the length of their terms of office during the reporting period. Mr. Wang Xiaoqing received his remuneration from China Merchants Fund, a subsidiary of the Company.

(2) The aggregate pre-tax remuneration of full-time Executive Directors, Chairman of the Board of Supervisors and senior management of the Company is still being verified. The remaining part will be disclosed separately upon the completion of confirmation and payment.

(3) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company and Ms. Cai Jin held 114,050 shares in the Company, of which consisted 109,500 A Shares and 4,550 H Shares. The Shares held by others listed in the above table were all A Shares. The changes in Ms. Cai Jin's shareholding was resulting from the shareholding reduction before her appointment as an Employee Supervisor and the changes in Ms. Liu Hui's shareholding was resulting from the shareholding reduction after six months as of her resignation as the Executive Assistant President. The changes in others' shareholding during the reporting period were all resulting from shareholding increase.

(4) None of the Directors, Supervisors or senior management listed in the above table has been punished by the securities regulator(s) over the past three years.

(5) None of the Directors, Supervisors or senior management listed in the above table holds any share options of the Company or has been granted any of its restricted shares.

5.4.1 Appointment and resignation of Directors, Supervisors and senior management

Directors

In May 2021, Mr. Liu Jianjun ceased to be the Executive Director, Executive Vice President and Secretary of the Board of Directors of the Company due to change of work arrangement.

In June 2021, according to the relevant resolutions passed at the 2020 annual Shareholders' general meeting of the Company, Mr. Li Chaoxian and Mr. Shi Yongdong were elected as the Independent Non-Executive Directors of the Company, whose qualifications as the Independent Directors were approved by the CBIRC in August 2021. At the same time, Mr. Leung Kam Chung, Antony and Mr. Zhao Jun ceased to be the Independent Non-Executive Directors of the Company due to the expiry of their appointments.

Supervisors

In April 2021, Mr. Wen Jianguo ceased to be the Shareholder Supervisor of the Company due to change of work arrangement.

In June 2021, according to the relevant resolutions passed at the 2020 annual Shareholders' general meeting of the Company, Mr. Guo Xikun was elected as the Shareholder Supervisor of the Company.

In August 2021, Mr. Liu Yuan ceased to be the Chairman of Board of Supervisors and Employee Supervisor of the Company due to change of work arrangement.

In August 2021, Mr. Xiong Liangjun was elected as the Employee Supervisor of the Company at the staff congress of the Company. According to the resolutions passed at the 21st meeting of the 11th session of the Board of Supervisors of the Company, Mr. Xiong Liangjun was elected as the Chairman of the Board of Supervisors of the Company.

In December 2021, Mr. Liu Xiaoming ceased to be the Employee Supervisor of the Company due to change of work arrangement.

In December 2021, Ms. Cai Jin was elected as the Employee Supervisor of the Company at the staff congress of the Company.

Senior management

Mr. Li Delin was appointed as the Executive Vice President of the Company at the 20th meeting of the 11th session of the Board of Directors of the Company. In March 2021, the qualification of Mr. Li Delin as the Executive Vice President was approved by the CBIRC.

In May 2021, Ms. Liu Hui ceased to be the Executive Assistant President of the Company due to change of work arrangement.

In July 2021, Mr. Xiong Kai was appointed as the Secretary of the Party Discipline Committee of the Company.

In August 2021, Mr. Wang Liang was appointed as the First Executive Vice President and Secretary of the Board of Directors of the Company in accordance with the resolutions passed at the 30th meeting of the 11th session of the Board of Directors of the Company.

In August 2021, Mr. Zhu Jiangtao was appointed as the Executive Vice President of the Company in accordance with the resolutions passed at the 30th meeting of the 11th session of the Board of Directors of the Company. In September 2021, the qualification of Mr. Zhu Jiangtao as the Executive Vice President was approved by the CBIRC.

In October 2021, the qualifications of Mr. Zhong Desheng and Mr. Wang Xiaoqing as the Executive Assistant President were approved by the CBIRC.

For details of the appointments and resignation, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

5.4.2 Changes in information of Directors and Supervisors

1. Mr. Zhang Jian ceases to concurrently serve as the vice chairman of the board of directors of China Merchants Capital Management Co., Ltd. (招商局資本管理有限責任公司) and the vice chairman of the board of directors of China Merchants Capital Holdings Co., Ltd. (招商局資本控股有限責任公司) and the director of China Merchants Union (BVI) Limited (招商局聯合發展有限公司).

2. Mr. Wang Daxiong ceases to concurrently serve as the chairman of the COSCO SHIPPING Investment Holdings Co., Ltd. (中遠海運投資控股有限公司).

3. Mr. Luo Sheng concurrently serves as the acting person in charge of Dajia Insurance Group Co., Ltd.

4. Mr. Wang Liang serves as the First Executive Vice President, Secretary of the Board of Directors and Company Secretary of the Company, as well as the authorised representative in charge of matters in relation to listing in Hong Kong and the executive council member of the sixth session of Banking Accounting Society of China.

5. Mr. Wong See Hong ceases to concurrently serve as the Independent Director of HDR Global Trading Limited.

6. Mr. Li Menggang ceases to concurrently serve as the chairman of the Professional Committee of the Logistics Informatisation and Industrial Security System (物流信息化與產業安全系統專業委員會) of Institute of Electrical and Electronics Engineers (IEEE) and the independent director of Hunan Copote Science & Technology Co., Ltd., a company listed on Shanghai Stock Exchange.

7. Mr. Liu Qiao ceases to concurrently serve as the independent non-executive director of Zensun Enterprises Limited (formerly known as ZH International Holdings Limited, a company listed on Hong Kong Stock Exchange).

8. Mr. Xiong Liangjun concurrently serves as the member of Shenzhen Finance Development Consultation Committee (深圳市金融發展諮詢委員會).

9. Mr. Peng Bihong concurrently serves as the director of China State-owned Enterprise Structural Adjustment Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司) and the vice chairman of the council of China Oceanic Development Foundation, the vice chairman and council member of Communications Branch (交通分會) of China Institute of Internal Audit, the vice chairman of China Communications Accounting Society, the member of the Strategy Advisory Committee (戰略諮詢委員會) of Shanghai National Accounting Institute, the intelligent finance specialist of Shared Finance Special Committee (共享財務專業委員會) of The Innovation & Entrepreneurship Education Alliance of China.

10. Mr. Wu Heng concurrently serves as the director of Wuhan Kotei Informatics Co., Ltd. (武漢光庭信息技術股份有限公司), a company listed on Shenzhen Stock Exchange.

11. Mr. Guo Xikun ceases to serve as the vice chairman of the board of directors of Hebei Port Group Finance Co., Ltd. (河北港口集團財務有限公司) but serves as the chairman of the board of directors thereto instead and ceases to concurrently serve as the supervisor of National Coal Exchange Co., Ltd.

5.4.3 Current positions held by Directors and Supervisors in the shareholders' companies

Name	Name of Company	Major Title	Term of Office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Fu Gangfeng	China COSCO Shipping Corporation Limited	Director and General Manager	From September 2019 up to now
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 up to now
Hong Xiaoyuan	China Merchants Group Ltd.	Assistant General Manager	From September 2011 up to now
		Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer	From January 2019 up to now
		Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Su Min	China Merchants Group Ltd.	Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Wang Daxiong	COSCO SHIPPING Development Co., Ltd.	Chairman	From July 2019 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
		Temporary Head	From September 2021 up to now
Peng Bihong	China Communications Construction Group Co., Ltd	Chief Accountant	From September 2019 up to now
Guo Xikun	Hebei Port Group Co., Ltd.	Chief Accountant	From April 2021 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.4.4 Biography and positions of Directors, supervisors and senior management

Directors

Mr. Miao Jianmin is the Chairman and Non-Executive Director of the Company. Mr. Miao obtained a doctorate degree in Economics from Central University of Finance and Economics and is a senior economist. He is an alternate member of the nineteenth Central Committee of the Communist Party of China. Mr. Miao is the Chairman of China Merchants Group Ltd. and concurrently serves as the Chairman of China Merchants RenHe Life Insurance Co., Ltd.. Mr. Miao was the Vice Chairman and President of China Life Insurance (Group) Company, the Vice Chairman, President and Chairman of The People's Insurance Company (Group) of China Limited, the Chairman of PICC Property and Casualty Company Limited, the Chairman of PICC Asset Management Company Limited, the Chairman of PICC Health Insurance Company Limited, the Chairman of The People's Insurance Company of China (Hong Kong), Limited, the Chairman of PICC Capital Investment Management Company Limited, the Chairman of PICC Pension Company Limited and the Chairman of PICC Life Insurance Company Limited.

Mr. Fu Gangfeng is the Vice Chairman and Non-Executive Director of the Company. Mr. Fu obtained a bachelor's degree in Finance and a master's degree in Management Engineering from Xi'an Highway College and is a senior accountant. He is the Director and General Manager of China COSCO Shipping Corporation Limited. He serves as a member and standing committee member of the 13th Session of the Shanghai People's Political Consultative Committee. He was the Deputy Director of the Shekou ZhongHua Certified Public Accountants, the Director of the Chief Accountant Office, Deputy Chief Accountant and the Chief Financial Officer of China Merchants Shekou Industrial Zone Co., Ltd., the Chief Financial Officer of China Merchants Shekou Holdings Co., Ltd., the General Manager of the Finance Division, the Chief Financial Officer and Chief Accountant of China Merchants Group Ltd., the Director and General Manager of China Merchants Group Ltd., the Chairman of China Merchants Port Group Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Executive Director and Chairman of the Board of Directors of China Merchants Port Holdings Company Limited (a company listed on Hong Kong Stock Exchange), and the Chairman of the Board of Supervisors of China Merchants RenHe Life Insurance Co., Ltd..

Mr. Tian Huiyu is an Executive Director, President and Chief Executive Officer of the Company. Mr. Tian obtained a bachelor's degree in Infrastructure Finance and Credit from Shanghai University of Finance and Economics and a master's degree in Public Administration from Columbia University. He is a senior economist. He was the Vice President of Trust Investment Branch of China Cinda Asset Management Co., Ltd. from July 1998 to July 2003, and the Vice President of Bank of Shanghai from July 2003 to December 2006. He consecutively served as the Deputy General Manager of Shanghai Branch, the head of Shenzhen Branch, and the General Manager of Shenzhen Branch of China Construction Bank ("CCB", a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange) from December 2006 to March 2011. He acted as the Business Executive of retail banking at the Head Office and the Head and General Manager of Beijing Branch of CCB from March 2011 to May 2013. He joined the Company in May 2013 and has served as the President of the Company since September 2013. He is concurrently the Chairman of CMBIC, the Chairman of CMB International Capital Corporation Limited, the Vice Chairman of Merchants Union Consumer Finance Company Limited, a consultant of Shenzhen Strategic Advisory Committee for Enhancing Enterprise Competitiveness (深圳市提升企業競爭力戰略諮詢委員會), the Vice President of China Chamber of International Commerce, a member of High Level Guidance and Management Committee of Information Technology Risk in the Banking Industry (銀行業信息科技風險管理高層指導委員會) and a Director of National Internet Finance Association of China.

Mr. Zhou Song is a Non-Executive Director of the Company. Mr. Zhou obtained a master's degree of World Economics from Wuhan University. Mr. Zhou is the Chief Accountant of China Merchants Group Ltd., the Chairman of Shenzhen China Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司), the Chairman of China Merchants Finance Co., Ltd. (招商局集團財務有限公司), the Chairman of China Merchants Investment Development Co., Ltd. (招商局投資發展有限公司) and the Chairman of the Board of Supervisors of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He was the Deputy General Manager of the Planning and Finance Department of the Head Office of China Merchants Bank, the Vice General Manager of Wuhan Branch, the Deputy General Manager (in charge of work) and General Manager of the Planning and Finance Department of the Head Office, the Employee Supervisor of China Merchants Bank, the Business Director and General Manager of the Assets and Liabilities Management Department of the Head Office, the President of Interbank Financial Department, the General Manager of the Assets Management Department of the Head Office and the Business Director of the Head Office, the President of Investment Banking and Financial Market Department, the General Manager of the Assets Management Department of the Head Office and the Business Director of the Head Office.

Mr. Hong Xiaoyuan is a Non-Executive Director of the Company. Mr. Hong obtained a master's degree in Economics from Peking University and a master's degree in Science from Australian National University. He is a senior economist. He serves as the Director of China Merchants Holdings (Hong Kong) Company Limited and the Assistant General Manager of China Merchants Group Ltd., the Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform and the Chairman of China Merchants Finance Holdings Company Limited. He concurrently serves as the Chairman of China Merchants Finance Investment Holdings Co., Ltd., China Merchants Capital Investments Co., Ltd., China Merchants United Development Company Limited and China Merchants Innovative Investment Management Co., Ltd., and the Director of China Merchants RenHe Life Insurance Co., Ltd. and CNIC Corporation Limited. He served as the Director of China Merchants Securities Co., Ltd. (a company then listed on Shanghai Stock Exchange), the Chairman of the Board of Directors of China Merchants China Direct Investments Limited (a company listed on Hong Kong Stock Exchange), the Chief Executive Officer of China Merchants Finance Holdings Company Limited and the Chairman of Shenzhen CMB Qianhai Financial Asset Exchange Co., Ltd..

Mr. Zhang Jian is a Non-Executive Director of the Company. Mr. Zhang obtained a bachelor's degree in Economics and Management from the Department of Economics of Nanjing University and a master's degree in Econometrics from the Business School of Nanjing University, and is a senior economist. He is the Chief Digital Officer of China Merchants Group Ltd., the Director of the Digital Center, the Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform and a Director of China Merchants Finance Holdings Company Limited. He concurrently serves as the Chairman of China Merchants Commerce Financial Leasing Co., Ltd. (招商局通商融資租賃有限公司), the Chairman of China Merchants Financial Technology Co., Ltd. (招商局金融科技有限公司), a Director of China Merchants Innovative Investment Management Co., Ltd., a Director of China Merchants Innovative Investment (International) Co., Ltd. (招商局創新投資(國際)有限公司), a Director of China Merchants Innovation Investment General Partnership (International) Co., Ltd. (招商局創新投資普通合夥(國際)有限公司), a Director of Shi Jin Shi Credit Service Co., Ltd. (試金石信用服務有限公司) and a Director of Four Rivers Investment Management Co., Ltd. (四源合股權投資管理有限公司). He served as a Director of China Merchants RenHe Life Insurance Company Limited, a Director of China Merchants Insurance Holdings Co., Ltd. (招商局保險控股有限公司), a Director of China Merchants Ping An Asset Management Co., Ltd., Deputy General Manager of China Merchants Finance Holdings Co., Ltd., a Director of Shenzhen CMB Qianhai Financial Asset Exchange Co., Ltd., General Manager of Finance Department of China Merchants Group Ltd., the Vice Chairman of China Merchants Capital Investments Co., Ltd., the Chairman of the Board of Directors of China Merchants China Direct Investments Limited, a Director of China Merchants Capital Investments Co., Ltd., a Director of China Great Bay Area Fund Management Co., Limited, a Director of China Merchants Capital Holdings (International) Limited, the Vice Chairman of China Merchants Capital Management Co. Ltd., the Vice Chairman of China Merchants Capital Holdings Co. Ltd. and a Director of China Merchants United Development Company Limited.

Ms. Su Min is a Non-Executive Director of the Company. Ms. Su obtained a bachelor's degree in Finance from Shanghai University of Finance and Economics and a master's degree in Business Administration from China University of Technology, and is a senior accountant, a non-practicing member of Chinese Institute of Certified Public Accountants and a non-practicing member of China Appraisal Society. She is the Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform. She concurrently serves as a Director of Bosera Asset Management Co., Limited, a Director of China Merchants Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange) and a Director of China Great Wall Securities Co., Ltd. (長城證券股份有限公司). She successively served as the Deputy Director of Property Office of the State-owned Assets Supervision and Administration Commission of Anhui Province, a Director of Huishang Bank, the Deputy General Manager and Chief Accountant of Anhui Energy Group Co., Ltd., the Chief Accountant and a member of the Communist Party of China of China Shipping (Group) Company, the Chairman of China Shipping Finance Co., Ltd., the Chairman of COSCO SHIPPING Leasing Co., Ltd. (中遠海運租賃有限公司), a Director of Bank of Kunlun, and a Director of China Shipping Development Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange) and China Shipping Container Lines Company Limited (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). She served as a Director of China Merchants Innovation Investment Management Co., Ltd. (招商局創新投資管理有限責任公司), a Supervisor of China Merchants Capital Investments Co., Ltd. and the General Manager of China Merchants Finance Holdings Co., Limited.

Mr. Wang Daxiong is a Non-Executive Director of the Company. Mr. Wang obtained a bachelor's degree in Shipping Finance and Accounting from the Department of Marine Transportation Management of Shanghai Maritime University and a master's degree in Business Administration for Senior Management from Shanghai University of Finance and Economics, and is a senior accountant. He is the Chairman of COSCO SHIPPING Development Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). He concurrently serves as a Director of China Merchants Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). He served as a Director of China Merchants Bank from March 1998 to March 2014. He also served as the Vice President and Chief Accountant of China Shipping (Group) Company, Deputy General Manager of China Shipping (Group) Company, the Chairman of China Shipping (HK) Holdings Limited and the Chairman of COSCO SHIPPING Investment Holdings Co., Ltd. (中遠海運投資控股有限公司).

Mr. Luo Sheng is a Non-Executive Director of the Company. Mr. Luo obtained a doctorate degree in corporate governance from the Business School of Nankai University. Mr. Luo is currently the Deputy General Manager and the Temporary Head of Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司) and a Director of Gemdale Corporation (a company listed on Shanghai Stock Exchange). Mr. Luo was the principal staff member of the Regulation Division of the Policy and Regulation Department, the principal staff member of the Market Analysis Division of the Development and Reform Department, the Deputy Director and Director of the Corporate Governance Division of the Development and Reform Department, and the Deputy Director of the Regulation Department of the China Insurance Regulatory Commission. He also served as an Executive Director, the Executive Vice President, the secretary of the Board of Directors, and General Manager of Shanghai Branch of China Insurance Information Technology Management Co., Ltd., and the Deputy Director of Development and Reform Department of China Insurance Regulatory Commission.

Mr. Wang Liang is an Executive Director, First Executive Vice President and Chief Financial Officer and the secretary of the Board of Directors of the Company. Mr. Wang obtained a master's degree in Money and Banking from Renmin University of China, and is a senior economist. He successively served as the Assistant General Manager, the Deputy General Manager and the General Manager of Beijing Branch of the Company. He served as the Executive Assistant President of the Company and concurrently, the General Manager of Beijing Branch since June 2012. He ceased to serve as the General Manager of Beijing Branch in November 2013, and has been serving as a Vice President of the Company since January 2015. He concurrently served as the secretary of the Board of Directors of the Company from November 2016 to April 2019, and has concurrently been serving as the Chief Financial Officer of Company since April 2019. He has served as First Executive Vice President of the Company and concurrently acted as the secretary of the Board of Directors, Company Secretary of the Company and the authorised representative in charge of matters in relation to listing in Hong Kong since August 2021. He concurrently serves as Vice President of Payment & Clearing Association of China, a member of the High-level Steering and Coordination Committee for Data Governance of China Banking and Insurance Regulatory Commission, a Director of the fourth session of the Professional Committee for Intermediate Business of China Banking Association and an Executive Director of the sixth session of the Banking Accounting Society of China.

Mr. Wong See Hong is an Independent Non-Executive Director of the Company. Mr. Wong obtained a bachelor's degree in Business Administration from the National University of Singapore, a master's degree in Investment Management from Hong Kong University of Science and Technology, and a doctorate degree in Transformational Leadership (DTL) from Bethel Bible Seminary. He is an Independent Director of The Frasers Hospitality Assets Management Pte., Ltd. (新加坡輝盛國際資產管理有限公司) and EC World Asset Management Private Limited and a member of the Financial Management Commission of the Hong Kong Administration Society (香港管理學會財務管理委員會). He previously served as the Deputy Chief Executive of BOCHK, head, Managing Director and President for the Southeast Asia region, and the head of the Financial Market Department in Asia (亞洲區金融市場部主管) of ABN AMRO Bank, a Director of Bank of China Group Insurance Company Limited, the Chairman of the Board of BOC Group Trustee Company Limited, the Chairman of BOCI-Prudential MPF (中銀保誠強積金), the Chairman of BOCHK Asset Management Limited, a member of the Board of Directors of the Civil Servants Institute of Prime Minister's Office Singapore (新加坡總理辦公室公務員學院), a member of the Client Consulting Commission (客戶諮詢委員會) of Thomson Reuters and an Independent Director of HDR Global Trading Limited.

Mr. Li Menggang is an Independent Non-Executive Director of the Company. Mr. Li obtained a Ph.D. in Economics and a post-doctoral degree in both Transportation and Communication Engineering and Theoretical Economics from Beijing Jiaotong University. He has been serving as a professor and doctoral supervisor at Beijing Jiaotong University, the Dean of the National Academy of Economic Security (NAES) of Beijing Jiaotong University, the Director of Beijing Laboratory of National Economic Security Pre-Warning Project and the Chief Expert of Major Bidding Projects of the National Social Science Fund. He concurrently serves as the Vice President and the Deputy Director of the Expert Committee of China Human Resource Development Association, the Director of the Human Capital Institute, the Vice President of Guanghua Engineering Science and Technology Award Foundation (光華工程科技獎勵基金會), the Deputy Director of the Independent Board Committee of China Association for Public Companies and an Independent Director of Huadian Power International Corporation Limited (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange). He served as an Independent Director of Sichuan Golden Summit (Group) Joint-stock Co., Ltd. (a company listed on Shanghai Stock Exchange), an Independent Non-Executive Director of Yuxing InfoTech Investment Holdings Limited (a company listed on Hong Kong Stock Exchange), the Chairman of the Professional Committee of the Logistics Informatisation and Industrial Security System of the Institute of Electrical and Electronics Engineers (IEEE), the Independent Director of Hunan Copote Science & Technology Co., Ltd. (a company listed on Shanghai Stock Exchange) and the Independent Director of Daqin Railway Co., Ltd. (a company listed on Shanghai Stock Exchange).

Mr. Liu Qiao is an Independent Non-Executive Director of the Company. Mr. Liu obtained a bachelor of science degree in Economics and Mathematics from Renmin University of China, a master's degree in Economics from the Institute of Finance of People's Bank of China and a Ph.D. in Economics from University of California, Los Angeles in the United States and is a distinguished professor (特聘教授) of Changjiang Scholars Program. He has been serving as the Dean at the Guanghua School of Management of Peking University, professor of Finance and Economics and doctoral supervisor. He is also a member of Think Tank Committee of All-China Federation of Industry and Commerce (全國工商聯智庫委員會), the Economic Research Center of Chinese Kuomintang Revolutionary Committee, the expert panel of the Shenzhen Stock Exchange and the Listing Committee of ChiNext of Shenzhen Stock Exchange; an advisor of the post-doctoral stations of the CSRC, the Shenzhen Stock Exchange, the China Financial Futures Exchange and China Minsheng Banking Corp., Ltd. etc., the Vice Chairman of the China Enterprise Reform and Development Society (中國企業改革與發展研究會), an Independent Non-Executive Director of CSC Financial Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange), and an Independent Director of Beijing Capital Co., Ltd. (a company listed on Shanghai Stock Exchange). Mr. Liu served as an assistant professor at School of Economics and Finance of the University of Hong Kong, a consultant of the Asia-Pacific Corporate Finance & Strategy Practice of McKinsey & Company, an assistant professor and associate professor (with tenure) at the Faculty of Business and Economics of the University of Hong Kong and an Independent Non-Executive Director of Zensun Enterprises Limited (formerly known as the ZH International Holdings Limited, a company listed on Hong Kong Stock Exchange).

Mr. Tian Hongqi is an Independent Non-Executive Director of the Company. Mr. Tian obtained a bachelor's degree in Finance and Accounting from the Faculty of Water Transportation Management of Shanghai Maritime University, and is a senior accountant. He concurrently serves as the Independent Director of Nanjing Tanker Corporation (招商局南京油運股份有限公司，a company listed on Shanghai Stock Exchange). He previously served as the Chief Financial Officer and Chief Information Officer of COSCO SHIPPING Bulk Co., Ltd., the General Manager of the Finance Department of COSCO Container Lines Co., Ltd., the Director and the General Manager of the Financial Department of COSCO Japan, the Chief Financial Officer of COSCO Holdings (Singapore) Pte. Ltd. (中遠控股(新加坡)有限公司), the General Manager of the Finance Department of the COSCO Container Transportation Operation Headquarters (中遠集裝箱運輸經營總部), and the Deputy Director of the Finance Department of COSCO.

Mr. Li Chaoxian is an Independent Non-Executive Director of the Company. Mr. Li obtained a doctorate in Industrial Economics and a master's degree in Statistics, respectively from Renmin University of China. He is currently a professor and doctoral supervisor of Beijing Technology and Business University, and concurrently serves as an Independent Director of China World Trade Center Company Limited (a company listed on Shanghai Stock Exchange) and an Independent Director of Beijing HuaDaJianYe Engineering Management Co., Ltd. (北京華達建業工程管理股份有限公司) (a company listed on the National Equities Exchange and Quotations). He served as the Deputy Director and Director of the Finance Department of Beijing Business School (predecessor of Beijing Technology and Business University), Deputy Dean and Dean of the School of Economics of Beijing Technology and Business University, Chief of the Academic Affairs Office of Beijing Technology and Business University, and Vice President of Beijing Technology and Business University.

Mr. Shi Yongdong is an Independent Non-Executive Director of the Company. Mr. Shi obtained a doctorate in Economics from Dongbei University of Finance and Economics and a master's degree in Applied Mathematics from Jilin University. He is currently the dean of the School of Applied Finance and Behavioral Sciences of Dongbei University of Finance and Economics, and concurrently serves as a council member of China Finance Society, a standing council member of the Chinese Finance Annual Meeting (中國金融學年會) and the Chinese Financial Projects Annual Meeting (中國金融工程學年會), and a standing council member of the International Symposium on Financial Systems Engineering and Risk Management (金融系統工程與風險管理國際年會). He served as the Deputy Dean of the School of Finance, the Director of the Applied Finance Center, Chief of the scientific research department in Dongbei University of Finance and Economics, an Independent Director of Dalian Huarui Heavy Industry Group Co., Ltd. (a company listed on Shenzhen Stock Exchange), and an Independent Director of Bank of Anshan Co., Ltd..

Supervisors

Mr. Xiong Liangjun is the Chairman of the Board of Supervisors of the Company and an Employee Supervisor. He obtained a master's degree in Money and Banking from Zhongnan University of Finance and Economics and an EMBA degree from the Cheung Kong Graduate School of Business. He is a senior economist. He successively served as the Deputy Director-General of the CBRC Shenzhen Bureau, the Director-General of the CBRC Guangxi Bureau and the CBRC Shenzhen Bureau from September 2003 to July 2014. He served as the Secretary of the Party Discipline Committee of the Company since July 2014 and has become the Chairman of the Board of Supervisors of the Company since August 2021. He has concurrently served as a member of Shenzhen Finance Development Consultation Committee (深圳市金融發展諮詢委員會).

Mr. Peng Bihong is a Shareholder Supervisor of the Company. Mr. Peng graduated from Hunan College of Finance and Economics (湖南財經學院) majoring in Finance and obtained a master's degree in Economics from Wuhan University. Mr. Peng is a non-practicing member and a lecturer of Chinese Institute of Certified Public Accountants. He currently serves as a Standing Committee Member of the Party Committee and Chief Accountant of China Communications Construction Group (Limited), and concurrently a Director of China State-owned Enterprise Structural Adjustment Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司), the Vice Chairman of the Council of China Oceanic Development Foundation (中國海洋發展基金會), the Vice Chairman of Jiang Tai Insurance Brokers Co., Ltd., the Vice Chairman and a Council Member of the Communications Branch of China Institute of Internal Audit, the Vice Chairman of China Communications Accounting Society, a member of the Strategy Advisory Committee of Shanghai National Accounting Institute and an intelligent finance specialist of Shared Finance Special Committee of The Innovation & Entrepreneurship Education Alliance of China. He has worked for China Poly Group Corporation Limited (formerly known as China Poly Group Corporation (中國保利集團公司)) for nearly 20 years, serving successively as the Director of the Finance Department of China Poly Group Corporation, the General Manager of Poly Finance Company Limited, the Chief Financial Officer of Poly Real Estate Group Co., Ltd. and a Standing Committee Member of the Party Committee and the Chief Accountant of Poly Group, as well as the Chairman of Poly Finance Company Limited and Poly Investment Holdings Co., Ltd. respectively. He served as the Chief Financial Officer of China Communications Construction Company Limited from September 2018 to September 2019.

Mr. Wu Heng is a Shareholder Supervisor of the Company and a postgraduate from the Department of Accounting of Shanghai University of Finance and Economics. Mr. Wu obtained a master's degree in Management and is a senior accountant. He is the General Manager of Finance Affairs Department of SAIC Motor Corporation Limited, the General Manager of SAIC Motor Financial Holding Management Co., Ltd., a Non-executive Director of Bank of Chongqing Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange) and a Director of Wuhan Kotei Informatics Co.,Ltd. (a company listed on Shenzhen Stock Exchange). He consecutively served as a Deputy Manager and Manager of Planning and Finance Department as well as a Manager of Fixed Income Department of Shanghai Automotive Group Finance Company, Ltd. from March 2000 to March 2005. He consecutively served as a Division Head, Assistant to Executive Controller and the Manager of Accounting Division of Finance Department of SAIC Motor Corporation Limited from March 2005 to April 2009, the Chief Financial Officer of Huayu Automotive Systems Co., Ltd. (a company listed on Shanghai Stock Exchange) from April 2009 to May 2015, and concurrently serving as the Director and General Manager of Huayu Automotive Systems (Shanghai) Co., Ltd. (華域汽車系統(上海)有限公司) during the period from May 2014 to May 2015, and the Deputy General Manager of the Finance Affairs Department of SAIC Motor Corporation Limited from May 2015 to August 2019.

Mr. Guo Xikun is a Shareholder Supervisor of the Company and holds a bachelor's degree and a master's degree. He is a senior accountant. He is currently the Chief Accountant of Hebei Port Group Co., Ltd.(河北港口集團有限公司), the Chairman of Hebei Port Group Finance Company Limited and concurrently serves as the Chairman of Qinhuangdao Chief Accountants Association. He served as the Deputy Chief of the Finance Division of the Qinhuangdao Port Authority, Deputy Director and director of the Finance Department of Qinhuangdao Port Group Co., Ltd., and successively served as the head of the Finance Department, Deputy Chief Financial Officer, Chief Financial Officer, Deputy General Manager and Vice President of Qinhuangdao Port Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange).

Mr. Ding Huiping is an External Supervisor of the Company. Mr. Ding obtained a doctorate degree in Enterprise Economics from University I Linkoeping in Sweden. He is currently a professor and a tutor of doctorate candidates in the School of Economics and Management of Beijing Jiaotong University, the head of PRC Enterprise Competitiveness Research Center, and Honorary Professor in the Business School of Duquesne University. He is concurrently an Independent Director of Beijing Dinghan Technology Group Co., Ltd. (北京鼎漢技術集團股份有限公司) (a company listed on Shenzhen Stock Exchange), Shandong International Trust Co., Ltd. (a company listed on Hong Kong Stock Exchange) and China Haisum Engineering Co., Ltd. (a company listed on Shenzhen Stock Exchange). He consecutively served as an Independent Director of Huadian Power International Corporation Limited (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange), China Merchants Securities Co., Ltd. (a company listed on Hong Kong Stock Exchange and Shanghai Stock Exchange) and Metro Land Corporation Ltd. (a company listed on Shanghai Stock Exchange). He served as an Independent Director of the Company from May 2003 to May 2006.

Mr. Han Zirong is an External Supervisor of the Company. Mr. Han obtained a bachelor's degree in Business Economics from Jilin Finance and Trade College, and is an economist and certified public accountant. He is currently a partner of Shu Lun Pan Hong Kong CPA Limited, and is concurrently an External Supervisor of Bank of Chengdu Corporation Limited (a company listed on Shanghai Stock Exchange) and an Independent Director of Xuzhou Rural Commercial Bank Co., Ltd. (徐州農村商業銀行股份有限公司) and Chengdu Rural Commercial Bank Co., Ltd.. He served as a credit administrator of Industrial and Commercial Bank of China, Changchun Branch from August 1985 to October 1992. He served as an Assistant Director in the Audit Firm under Audit Bureau of Shenzhen Municipality from October 1992 to September 1997. He served as a managing partner of Shenzhen Finance Accounting Firm (深圳市融信會計師事務所) from October 1997 to October 2008. He served as a senior partner of Daxin Certified Public Accountants from October 2008 to October 2012. He served as an Independent Director of Bank of Chengdu Corporation Limited (a company listed on Shanghai Stock Exchange) and Bank of Hainan.

Mr. Xu Zhengjun is an External Supervisor of the Company. Mr. Xu obtained a master's degree in the Maritime Transportation Management from Shanghai Maritime University and is a senior political engineer. He is currently an Independent Director of China Merchants RenHe Life Insurance Co., Ltd.. He previously served as the Section Chief and the Department Head of Shanghai Ocean Shipping Co., Ltd., the General Manager of the crew company and land property company of COSCO Container Lines Co., Ltd., the Assistant to General Manager of COSCO Container Lines Co., Ltd., the General Manager of Shanghai Ocean Shipping Co., Ltd., the Secretary of the Disciplinary Committee of COSCO Container Lines Co., Ltd., the General Manager of COSCO (HK) Industry & Trade Holdings Ltd., the Vice Chairman of Shenzhen Guangju Energy Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Vice President and General Counsel of COSCO (Hong Kong) Group Limited and the Director of True Smart International Limited, the General Manager and Executive Director of COSCO International Holdings Limited, the Chairman of the Corporate Governance Committee of COSCO International and the Independent Director of Sinotrans Shipping Limited.

Mr. Wang Wanqing is an Employee Supervisor of the Company. Mr. Wang obtained a bachelor's degree in Chinese Language & Literature from Anhui University. Mr. Wang currently serves as the Business Director of the Head Office and the General Manager of the Audit Department of the Company. He is concurrently the executive member of the China Institute of Internal Audit and a member of professional committee under the supervisory committee of China Association for Public Companies. Mr. Wang started his career in Anhui University in July 1986. He worked in the General Office in Anhui Province from November 1991 to February 2001. He consecutively served as the Head, Assistant President and Vice President of the Hefei Branch of the Company from February 2001 to April 2007. He served as the General Manager of the Human Resources Department at the Head Office of the Company and the Deputy Director of the Labour Union from April 2007 to August 2012. He served as the Business Director of the Head Office, the General Manager of the Human Resources Department and the Deputy Director of the Labour Union of the Company from September 2012 to March 2014. He has been an Employee Supervisor of the Company since July 2018.

Ms. Cai Jin is an Employee Supervisor of the Company. Ms. Cai obtained a bachelor's degree in Finance from Hunan University of Finance and Economics. She is an economist. She currently serves as the Director of the Labor Union of the Head Office of the Company. In August 1992, she started her career in Shashi Branch of Industrial and Commercial Bank of China in Hubei Province. She joined the Company in May 1995. She successively served as the Assistant General Manager of the Human Resources Department, the Deputy General Manager of the Banking Department of the Head Office and the Deputy General Manager of the Asset Custody Department of the Head Office from April 2010 to December 2021.

Senior management

Mr. Tian Huiyu, please refer to Mr. Tian Huiyu's biography under the heading of "Directors" above.

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "Directors" above.

Mr. Wang Jianzhong is an Executive Vice President of the Company. He obtained a bachelor's degree in Accounting from Dongbei University of Finance and Economics and is an assistant economist. Mr. Wang joined the Company in November 1991 and successively served as the General Manager of Changsha Branch, the Deputy General Manager of the Corporate Banking Department of the Head Office, the General Manager of Foshan Branch, the General Manager of Wuhan Branch, the Business Director of General Office of Corporate Finance Group of the Head Office and the General Manager of Beijing Branch of the Company since October 2002. He has served as an Executive Vice President of the Company since April 2019. He is concurrently a Director of China UnionPay Co., Ltd. and a member of Visa Asia Pacific Senior Advisory Council.

Mr. Shi Shunhua is an Executive Vice President of the Company. He obtained an MBA degree from China Europe International Business School and is a senior economist. Mr. Shi joined the Company in November 1996 and successively served as the Assistant General Manager and the Deputy General Manager of Shanghai Branch, the General Manager of Suzhou Branch, the General Manager of Shanghai Branch and the Business Director of the General Office of Corporate Finance Group under the Head Office of the Company since May 2003. He has served as an Executive Vice President of the Company since April 2019. He is concurrently the General Manager of Shanghai Branch of the Company and the Chairman of CMBFL and also serves as a member of the 13th Session of the Shanghai People's Political Consultative Committee.

Mr. Wang Yungui is an Executive Vice President of the Company. Mr. Wang obtained a master's degree from the Party School of the Central Committee of the Communist Party of China and is a senior economist. He successively served as the General Manager of the Department of Education and the General Manager of the Human Resources Department of the Industrial and Commercial Bank of China from July 2008 to December 2016, and served as the Secretary of the Disciplinary Committee of China Development Bank from December 2016 to March 2019. He has served as an Executive Vice President of the Company since June 2019.

Mr. Li Delin is an Executive Vice President of the Company. Mr. Li obtained a doctorate degree in Economics from Wuhan University, and is a senior economist. He joined the Company in October 2013 and successively served as the Director of the Head Office, the General Manager of the Strategic Customer Department, the General Manager of the Strategic Customer Department and the General Manager of the Institutional Customer Department, and the General Manager of Shanghai Branch and the General Manager of Shanghai Pilot Free Trade Zone Branch of the Company. He served as an Executive Assistant President of the Company in April 2019 and has served as an Executive Vice President of the Company since March 2021. Concurrently, he is the Chairman of the Board of Supervisors of Shenzhen Public Companies Association and the Vice President of National Association of Financial Market Institutional Investors.

Mr. Zhu Jiangtao is an Executive Vice President and the Chief Risk Officer of the Company. Mr. Zhu obtained a master's degree in Economics and is a senior economist. He joined the Company in January 2003. He served as an Assistant President and Vice President of Guangzhou Branch of the Company, the President of Chongqing Branch, the General Manager of the Credit Risk Management Department and the General Manager of the Risk Management Department of the Company from December 2007 to July 2020. He has served as the Chief Risk Officer of the Company since July 2020 and as an Executive Vice President of the Company since September 2021.

Mr. Xiong Kai is the Secretary of the Party Discipline Committee of the Company. Mr. Xiong graduated from Graduate School of Chinese Academy of Social Sciences with a doctorate degree in Legal Theory. He successively served as Senior Staff, Principal Staff and Deputy Director of the Ministry of Public Security of the PRC from 1994 to 2006 and acted as the Deputy Director (Consultant), Director, Deputy Director-General and Director-General at the CPC General Office from 2006 to 2014. He joined the Company in July 2014 and successively served as the Director of Disciplinary Committee Office, General Manager of the Inspection and Security Department of the Head Office, the Director of General Office of Head Office, General Manager of the Asset Security Department and the President of Zhengzhou Branch and Beijing Branch. He has been the Secretary of the Party Discipline Committee of the Company since July 2021.

Mr. Zhong Desheng is an Executive Assistant President of the Company. He obtained a master's degree in the History of Foreign Economic Thoughts from Huazhong University of Science and Technology and is a senior economist. He joined the Company in July 1993 and successively served as an Assistant President and Vice President of Wuhan Branch, the General Manager of International Business Department and Trade Finance Department of the Head Office and the General Manager of Offshore Finance Center of the Head Office, the President of Guangzhou Branch, the President of the General Office of Corporate Finance of the Head Office and the General Manager of the Strategic Customers Department. He has served as an Executive Assistant President of the Company since October 2021. He concurrently serves as the General Manager of the Wealth Management Platform Department of the Head Office of the Company.

Mr. Wang Xiaoqing is an Executive Assistant President of the Company. He obtained a doctorate degree in Political Economics from Fudan University and is an economist. He worked at PICC Asset Management Company Limited from March 2005 to March 2020, and successively served as the Deputy General Manager of Risk Management Department, the Deputy General Manager and General Manager of Portfolio Management Department, Assistant President and Vice President. In March 2020, he joined the Company and served as the General Manager of CMFM. He has served as an Executive Assistant President of the Company since October 2021, and concurrently serves as the Chairman of CMFM, CIGNA & CMB Life Insurance and CIGNA & CMAM.

Joint company secretaries

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "Directors" above.

Ms. Ho Wing Tsz Wendy is a joint company secretary of the Company. Ms. Ho obtained a MBA degree from the Hong Kong Polytechnic University. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators in the United Kingdom) in the United Kingdom and is a council member, the Vice Chairlady of the Professional Development Committee and the Professional Services Group of The Hong Kong Chartered Governance Institute and is a holder of the Practitioner's Endorsement issued by The Hong Kong Chartered Governance Institute. Ms. Ho is an Executive Director of Corporate Services of Tricor Services Limited, and her professional practice area covers business consulting, corporate services for private, offshore and listed companies. Ms. Ho has over 20 years of experience in the corporate secretarial and compliance service field and is currently the company secretary or joint company secretary of a few listed companies on the Hong Kong Stock Exchange.

5.4.5 Evaluation and incentive system for Directors, Supervisors and senior management

The Company offers remuneration to Independent Directors and External Supervisors according to the "Resolution in Respect of Adjustment to Remuneration of Independent Directors" and the "Resolution in Respect of Adjustment to Remuneration of External Supervisors" considered and passed at the 2016 First Extraordinary General Meeting; offers remuneration to Executive Directors and other senior management according to the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd."; and offers remuneration to Employee Supervisors in accordance with the policies on remunerations of employees of the Company. All of the Directors and Supervisors nominated by shareholders of the Company do not receive any remuneration from the Company.

The Board of Directors of the Company evaluates the performance of the senior management through the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd." and the "Assessment Standards of the H-Share Appreciation Rights Incentive Scheme for the Senior Management". According to the "Measures on Evaluation of Performance of Directors and Supervisors of CMB", the Board of Supervisors evaluates the annual duty performance of the Directors and Supervisors through monitoring their duty performance in the ordinary course, conducting duty performance interviews, reviewing and evaluating their annual duty performance records (including but not limited to, attendance of meetings, participation of researches, provision of recommendations and the term of office in the Company), the "Duty Performance Self-Evaluation Questionnaire" completed by each Director and Supervisor and work summaries, and then reports the same to the shareholders' general meeting and regulatory authorities. According to the "Policies on Evaluation of Duty Performance of Senior Management by the Board of Supervisors (Trial)", the Board of Supervisors evaluates the annual duty performance of senior management through monitoring their duty performance in the ordinary course and accessing to their duty performance information (including but not limited to, major speeches, major meeting minutes and the evaluation of the duty performance of senior management by the Board of Directors) and work reports, and then reports the same to the shareholders' general meeting and regulatory authorities.

5.4.6 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. Having made specific enquiry, so far as the Company is aware, all the Directors and Supervisors of the Company had complied with the aforesaid Model Code during the reporting period.

The Company has also established the guidelines for the relevant employees' dealings in the Company's securities, which are no less exacting than the Model Code.

5.4.7 Interests and Short Positions of Directors, Supervisors and Chief Executives under Hong Kong Laws and Regulations

as at the end of the reporting period, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests and short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Tian Huiyu	Executive Director, President and Chief Executive Officer	A Share	Long position	Beneficial owner	335,500	0.00163	0.00133
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Wang Liang	Executive Director, First Executive Vice President and Chief Financial Officer, Secretary of the Board of Directors	A Share	Long position	Beneficial owner	250,000	0.00121	0.00099
Xiong Liangjun	Chairman of the Board of Supervisors, Employee Supervisor	A Share	Long position	Beneficial owner	240,000	0.00116	0.00095
Wang Wanqing	Employee Supervisor	A Share	Long position	Beneficial owner	181,000	0.00088	0.00072
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	109,500	0.00053	0.00043
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002

5.5 Board of Directors

The Board of Directors is an independent policy-making body of the Company, responsible for executing resolutions passed by the shareholders' general meetings; formulating of the Company's major principles and policies, including development strategy, risk preference, internal control and internal auditing systems, remuneration regulations; deciding on the Company's operating plans, investment and financing proposals; preparing annual financial budgets, final accounts and profit appropriation plans; and appointing and evaluating members of senior management. The Company adopts a system in which the President assumes full responsibility under the leadership of the Board of Directors. The senior management team has discretionary powers in terms of operation and makes daily decisions on operation management within the scope of authorisation by the Board of Directors, and the Board of Directors would not intervene in any specific matters in the Company's daily operation and management.

The Board of Directors of the Company facilitates scientific and reasonable decision-making through the establishment of a diversified directorship structure, and continues to improve the decision-making and operational efficiency through promoting the effective operation of special committees. The Board of Directors focuses on key issues, directions and strategies, and continues to strengthen the corporate philosophy of balanced, healthy and sustainable development. The Board of Directors ensures the Company to achieve dynamic and balanced development in "quality, efficiency and scale" through effective management of its strategy, risks, capital, remuneration, internal control and related party transactions, etc., thus providing a solid basis for the Company to enhance its operation and management capabilities.

5.5.1 Composition of the Board of Directors

At present, the Board of Directors of the Company has sixteen members, including eight Non-Executive Directors, two Executive Directors, and six Independent Non-Executive Directors. All the eight Non-Executive Directors are from large-state-owned enterprises where they hold key positions such as the Chairman of the Board of Directors, General Manager, Deputy General Manager or Chief Financial Officer. They have extensive experience in corporate management, finance and accounting fields. The two Executive Directors have been engaged in financial management for a long time with extensive professional experience. Among the six Independent Non-Executive Directors, there are renowned experts in accounting and finance, financial experts and university professors with international vision, and they all have in-depth knowledge about the development of the banking industry at home and abroad. One Independent Non-Executive Director from Hong Kong is proficient in international accounting standards and the requirements of Hong Kong capital market. The Board of Directors of the Company has one female Director who, together with other Directors of the Company, offers professional opinions to the Company in their respective fields. Such diversified composition of the Board of Directors of the Company has brought about a wide spectrum of vision and highly professional experience, and also has maintained strong independence which enables the Board of Directors to make independent judgments and scientific decisions effectively when studying and considering important issues.

The Company greatly values the diversity of the members of the Board of Directors, and has formulated the relevant policies requiring that the Nomination Committee under the Board of Directors shall review the structure, number of Directors and composition (including their skills, knowledge and experience) of the Board of Directors at least once a year according to the Company's business operation, asset scale and shareholding structure, and put forward proposals in respect of any intended changes to the Board of Directors in line with the strategies of the Company.

The list of Directors of the Company is set out in "Directors, Supervisors and Senior Management" in this report. To comply with the Hong Kong Listing Rules, the Independent Non-Executive Directors have been clearly identified in all the corporate communication documents of the Company which disclose their names.

5.5.2 Appointment, re-election and removal of Directors

In accordance with the Articles of Association of the Company, the Directors of the Company shall be elected or replaced by the shareholders at the shareholders' general meetings, and the term of office for the Directors shall be three years commencing from the date on which the approval from the PRC banking regulatory authority is obtained. A Director is eligible for re-election upon the expiry of his/her current term of office. The term of office for a Director shall not be terminated without any justification at a shareholders' general meeting before expiry of his/her term.

A Director may be removed by an ordinary resolution at a shareholders' general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim made in accordance with contract shall not be affected).

The term of office for the Independent Non-Executive Directors of the Company shall be the same as that for other Directors of the Company. The term of office for the Independent Non-Executive Directors of the Company shall comply with the relevant laws and the requirements of the governing authority.

The procedures for appointment, re-election and removal of Directors, candidates' qualification and other requirements of the Company are set out in the Articles of Association and the implementation rules of the Nomination Committee of the Company. The Nomination Committee under the Board of Directors of the Company shall carefully consider the qualifications and experience of every candidate for a Director and recommends suitable candidates to the Board of Directors. Upon passing the candidate nomination proposal, the Board of Directors shall propose election of the related candidates at a shareholders' general meeting and submit the relevant resolution at a shareholders' general meeting for consideration and approval.

5.5.3 Responsibilities of Directors

During the reporting period, all Directors of the Company cautiously, earnestly and diligently exercised their rights under the Articles of Association of the Company and the domestic and overseas regulatory rules, devoted sufficient time and attention to the business of the Company, ensured that the business practices of the Company were fully compliant with the requirements of the laws and administrative regulations and economic policies of the country, gave all shareholders fair treatment, readily reviewed the business operation and management of the Company, and fulfilled the responsibilities stipulated under the laws and administrative regulations, departmental regulations and the Articles of Association of the Company. All Directors of the Company were aware of their joint and individual responsibilities towards shareholders. During the year, the average attendance rate of Directors at meetings of the Board of Directors and the special committees under the Board of Directors was 99.73%.

The Independent Non-Executive Directors of the Company have presented their professional opinions on the resolutions reviewed by the Board of Directors, including offering independent written opinions on significant matters such as the profit appropriation plan, nomination and election of directors, engagement of accounting firms and related party transactions. In addition, the Independent Non-Executive Directors of the Company also gave full play to their professional advantages in the relevant special committees under the Board of Directors, and provided professional and independent opinions regarding corporate governance and operation management of the Company, thereby providing effective guarantee on the scientific decision-making of the Board of Directors.

The Board of Directors of the Company reviewed its work during the reporting period, believing that it has effectively performed its duties and safeguarded the interests of the Company and its shareholders. The Company is of the opinion that all the Directors have devoted sufficient time to perform their duties.

The Company attached great importance to the continuous training of Directors, so as to ensure that they have a proper understanding of the operations and businesses of the Company, and that they are fully aware of their responsibilities under the relevant laws, regulations and systems, the regulatory requirements of the CBIRC, the CSRC, Shanghai Stock Exchange and Hong Kong Stock Exchange and the requirements of the Articles of Association of the Company. The Company has renewed the "Insurance for Liabilities of Directors, Supervisors and Senior Management" for all its Directors.

During the reporting period, the Board of Supervisors of the Company made an appraisal on the annual duty performance of the Directors, and the annual duty performance and cross-appraisal of the Independent Non – Executive Directors, and reported the appraisal results to the shareholders' general meeting.

5.5.4 Chairman of the Board of Directors and the President

The Chairman of the Board of Directors and the President of the Company has been served by different persons and their duties have been clearly defined in accordance with the requirements of the Hong Kong Listing Rules. Mr. Miao Jianmin serves as the Chairman of the Board of Directors and is responsible for leading the Board of Directors, ensuring that all the Directors are updated regarding issues arising at board meetings, managing the operation of the Board of Directors, and ensuring that all major issues are discussed by the Board of Directors in a constructive and timely manner. In order to enable the Board of Directors to discuss all major and relevant matters in time, the Chairman of the Board of Directors worked together with senior management to ensure that the Directors duly receive appropriate, complete and reliable information for their reference and review. Mr. Tian Huiyu serves as the President and is responsible for the business operation of the Company and implementation of its strategies and business plans.

5.5.5 Attendance of Directors at relevant meetings

The following table sets forth the records of attendance of each Director at the meetings convened by the Board of Directors and the special committees under the Board of Directors and at the shareholders' general meeting during the reporting period. All Directors performed due diligence in their duties, capitalised on opportunities, tackled challenges and used their professional specialties and extensive experience to contribute their valuable intelligence and strength to the operation and development of the Company. The Company has adopted the constructive opinions and suggestions raised by each of the Directors in aspects including strategy guideline, wealth management, Fintech, risk control and management, internal control and compliance, anti-money laundering, green finance development, inclusive finance development, related party transactions management, protection of consumer rights and improvement of incentive and restrictive mechanisms, and no objection has been raised by any of the Directors on the matters reviewed.

		Special committees under the Board of Directors						
Directors	Board of Directors[1]	Strategy Committee	Nomination Committee	Remuneration and Appraisal Committee	Risk and Capital Management Committee	Audit Committee	Related Party Transactions Management and Consumer Rights Protection Committee	Shareholders' General Meeting
	Actual times of attendance/Required times of attendance[2]							
Non-Executive Directors								
Miao Jianmin	14/14	7/7	4/4	/	/	/	/	1/1
Fu Gangfeng	14/14	7/7	/	/	/	/	/	1/1
Zhou Song	14/14	/	/	/	/	7/7	/	1/1
Hong Xiaoyuan	14/14	/	/	4/4	5/5	/	/	1/1
Zhang Jian	14/14	/	/	/	5/5	/	/	1/1
Su Min	14/14	/	/	/	/	/	3/3	1/1
Wang Daxiong	14/14	/	/	4/4	5/5	/	/	1/1
Luo Sheng	14/14	7/7	/	/	5/5	/	/	1/1
Executive Directors								
Tian Huiyu	14/14	7/7	4/4	/	/	/	/	1/1
Wang Liang	14/14	/	/	/	5/5	/	/	1/1
Liu Jianjun (resigned)	4/4	/	/	/	/	/	1/1	/
Independent Non-Executive Directors								
Wong See Hong	14/14	/	4/4	/	/	7/7	3/3	1/1
Li Menggang	14/14	/	4/4	4/4	/	7/7	/	1/1
Liu Qiao	14/14	/	4/4	4/4	5/5	/	/	1/1
Tian Hongqi	14/14	/	/	/	/	7/7	3/3	1/1
Li Chaoxian	4/4	/	/	3/3	/	/	1/1	/
Shi Yongdong	4/4	/	/	/	/	1/1	/	/
Leung Kam Chung, Antony (resigned)	9/10	/	/	1/1	/	/	/	1/1
Zhao Jun (resigned)	10/10	/	/	/	/	6/6	2/2	1/1

Notes:

(1) During the reporting period, the Board of Directors of the Company held a total of 14 meetings, and the special committees under the Board of Directors held a total of 30 meetings.

(2) During the reporting period, Mr. Leung Kam Chung, Antony attended 9 meetings of the Board of Directors, 1 meeting of the special committees under the Board of Directors and 1 shareholders' general meeting in person, and attended 1 meeting of the Board of Directors by proxy. Other than above-mentioned, the remaining directors attended the relevant meetings set forth in the above table in person.

5.5.6 Performance of duties by Independent Non-Executive Directors

The Board of Directors of the Company currently has six Independent Non-Executive Directors, which meets the requirement that at least one third of the total Directors of the Company shall be Independent Directors. The qualification, number and proportion of Independent Non-Executive Directors are in compliance with the relevant requirements of the CBIRC, the CSRC, Shanghai Stock Exchange and the Hong Kong Listing Rules. All the six Independent Non-Executive Directors of the Company are not involved in the circumstances set out in Rule 3.13 of the Hong Kong Listing Rules which would cause doubt on their independence. The Company has received from the Independent Non-Executive Directors their respective annual confirmation of independence which was made in accordance with Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Company is of the opinion that all the Independent Non-Executive Directors have complied with the requirement of independence set out in the Hong Kong Listing Rules. The majority of members of the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee under the Board of Directors of the Company are Independent Non-Executive Directors, and all of such committees are chaired by an Independent Non-Executive Director. During the reporting period, the six Independent Non-Executive Directors maintained communication with the Company through personal attendance at the meetings, on-site visits, research and investigations and conferences. They effectively performed their roles as Independent Non-Executive Directors by diligently attending the meetings held by the Board of Directors and its various special committees, actively expressing their opinions and suggestions and attending to the interests and requests of minority shareholders. For details of the attendance of Independent Non-Executive Directors at the meetings convened by the Board of Directors and its special committees, please refer to "Attendance of Directors at relevant meetings" in this report.

During the reporting period, the Independent Non-Executive Directors of the Company expressed their independent opinions on significant matters such as the profit appropriation plan, nomination and election of directors, engagement of accounting firms and related party transactions. They made no objection to the resolutions of the Board of Directors and others of the Company in the year.

According to the "Rules Governing Independent Directors' Work on Annual Reports" of the Company, the Independent Non-Executive Directors of the Company listened to the reports on the operation of the Company in 2021, believing that such reports had fully and objectively reflected the operation of the Company as well as the progress of significant matters in 2021. They recognised and were satisfied with the work performed and the results achieved in 2021. They also reviewed the unaudited financial statements of the Company, and discussed with the certified public accountants in charge of annual audit in respect of major matters and formed their written opinions; they reviewed the procedures for convening board meetings in the year, the decision-making procedures for matters on the agenda and the adequacy of information about such meetings; they reviewed the continuing connected transactions of the Company and made confirmations as required by the Hong Kong Listing Rules.

5.5.7 Corporate governance functions

During the reporting period, the Board of Directors has performed the following duties on corporate governance:

1. Formulate and evaluate the policies and practices on corporate governance of the Company and make certain amendments as it deems necessary, so as to ensure the validity of those policies and practices;
2. Evaluate and supervise the trainings and the improvement of professional competence of Directors and senior management;
3. Evaluate and supervise the policies and practices of the Company for compliance with laws and regulatory requirements;
4. Formulate, evaluate and supervise the Code of Conduct and the Compliance Handbook applicable to the Directors and employees of the Company;
5. Review the compliance of the Company with the Code of Corporate Governance and the disclosures in the Report of Corporate Governance; and
6. Manage, control, monitor and assess the risks of the Company and evaluate the internal control status of the Company. The Board of Directors is of the opinion that the risk management and internal control systems of the Company are effective.

5.5.8 Statement made by the Directors about their responsibility for the financial statements

the senior management of the Company provided the Board of Directors with adequate explanation and sufficient information to enable the Board of Directors to make informed assessment on the financial and other information submitted to it for approval. The Directors of the Company acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2021 to present a true view of the operating results of the Company. So far as the Directors are aware, there is no material uncertainty related to events or conditions that might have a significant adverse effect on the Company's ability of sustainable operation.

5.5.9 Special committees under the Board of Directors

There are six special committees under the Board of Directors of the Company, namely the Strategy Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Risk and Capital Management Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee.

In 2021, all the special committees under the Board of Directors of the Company gave full play to their professional advantages and earnestly performed various duties, actively offering advices to the Board of Directors on strategic guidance, Fintech, risk management, internal control and compliance, inclusive finance, green finance, related party transactions management, consumer rights protection, incentive and restrictive mechanisms and construction of the Board of Directors. During the year, these committees held a total of 30 meetings to study and review 139 significant issues, and reported their review opinions and advices to the Board of Directors by submitting meeting minutes and holding on-site meetings, hence fully playing its role in assisting the Board of Directors to make scientific decisions.

The composition and duties of the six special committees under the Board of Directors of the Company as well as their work in 2021 are summarised as follows.

Strategy Committee

The members of the Strategy Committee are Miao Jianmin (Chairman), Fu Gangfeng, Luo Sheng, all being Non-Executive Directors, and Tian Huiyu (an Executive Director). The Strategy Committee is mainly responsible for formulating the operation and management goals and the medium-to-long term development strategies of the Company, as well as supervising and examining the implementation of its annual operation plan and investment plan.

Main authorities and duties:

1. Formulate the operational goals and the medium-to-long term development strategies of the Company, and make an overall assessment on strategic risks;
2. Consider material investment and financing plans and make proposals to the Board of Directors;
3. Supervise and review the implementation of the annual operational and investment plans;
4. Evaluate and monitor the implementation of the Board resolutions;
5. Make recommendations and proposals on important issues for discussion and determination by the Board of Directors;
6. Any other task delegated by the Board of Directors.

In 2021, the Strategy Committee of the Eleventh Session of the Board of Directors of the Company held the 6th meeting (on 25 February), the 7th meeting (on 2 April), the 8th meeting (on 8 May), the 9th meeting (on 24 June), the 10th meeting (on 5 August), the 11th meeting (on 6 August) and the 12th meeting (on 14 December), focusing on reviewing the Company's "14th Five-Year" strategic plan, the development guideline for the five years of extensive wealth management, the development guideline for the five years of the Fintech, the development of inclusive finance and annual working programs, the management of human resources and the implementation of the talent strategy, the use of the Fintech Innovation Project Fund, the introduction of strategic investors by CMB Wealth Management, the annual financial budget and final accounts report, the annual profit appropriation plan, the implementation of the business plan, the authorisation and issuance of financial bonds and certificates of deposit, the redemption of capital bonds and other proposals. Therefore, the Bank further clarified the strategic direction and strategic focus, promoted the accelerated development of the business model of extensive wealth management, the operation model of Fintech and the organisational model featuring openness and integration, made every effort to build a cyclic extensive wealth management value chain and the best value creation bank, incorporated green finance development responsibility in the function of Strategy Committee of the Board of Directors, and proposed to change the name of the "Strategy Committee of the Board of Directors" to the "Strategy and Sustainable Development Committee of the Board of Directors", so as to coordinate and perform ESG-related responsibilities, strictly implement the guiding spirit of the Party Central Committee, the State Council and regulatory authorities on green finance and promote the improvement of top-level governance structure of ESG.

Nomination Committee

The majority of members of the Nomination Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Nomination Committee include Wong See Hong (Chairman), Li Menggang and Liu Qiao (all being Independent Non-Executive Directors), Miao Jianmin (a Non-Executive Director) and Tian Huiyu (an Executive Director). The Nomination Committee is mainly responsible for formulating the procedures and standards for election of the Directors and senior management, conducting preliminary verification on the qualification for appointment of the Directors and senior management and making proposals to the Board of Directors.

Main authorities and duties:

1. Review the structure, size and composition of the Board of Directors (including their expertise, knowledge and experience) at least once a year and make recommendations on any proposed changes to the Board of Directors to implement the strategies of the Company according to the Company's business operation, asset scale and shareholding structure of the Company;

2. Study the standards and procedures for selection of directors and senior management, and make recommendations to the Board of Directors;
3. Conduct extensive searches for qualified candidates for directors and senior management;
4. Conduct preliminary examination on the candidates for Directors and senior management and make recommendations to the Board of Directors; and
5. Any other task delegated by the Board of Directors.

In 2021, the Nomination Committee of the Eleventh Session of the Board of Directors of the Company held the 5th meeting (on 23 February), the 6th meeting (on 14 May), the 7th meeting (on 2 August) and the 8th meeting (on 18 August), successively reviewed and approved the proposal on nominating Mr. Li Chaoxian and Mr. Shi Yongdong as Independent Directors, the proposal on nominating Mr. Li Delin as an Executive Director, the proposal on appointing Mr. Wang Liang as the First Executive Vice President and the proposal on appointing Mr. Zhu Jiangtao as a Vice President. It also regularly reviewed the member composition and structure of the Board of Directors and Special Committees to ensure compliance with various regulatory requirements.

Remuneration and Appraisal Committee

The majority of members of the Remuneration and Appraisal Committee were Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Remuneration and Appraisal Committee currently include Li Menggang (Chairman), Liu Qiao, Li Chaoxian (all being Independent Non-Executive Directors), Hong Xiaoyuan and Wang Daxiong (both being Non-Executive Directors). The Remuneration and Appraisal Committee is responsible mainly for reviewing the remuneration management system and policies of the Company, formulating the remuneration package for the Directors and senior management, making proposals to the Board of Directors and supervising the implementation of such proposals.

Main authorities and duties:

1. Study the standards for assessment of Directors and senior management and make assessments and put forward proposals depending on the actual conditions of the Company;
2. Study and review the remuneration policies and proposals in respect of directors and senior management of the Bank, make recommendations to the Board of Directors and supervise the implementation of such proposals;
3. Review the regulations and policies in respect of remuneration of the Bank; and
4. Any other task delegated by the Board of Directors.

In 2021, the Remuneration and Appraisal Committee of the Eleventh Session of the Board of Directors of the Company held the 8th meeting (on 14 July), the 9th meeting (on 29 September), the 10th meeting (on 9 October) and the 11th meeting (on 30 December). In order to continuously guide the cadres and employees of the Company to follow the strategic principle of "adhering to long-term strategies and tapping existing advantages", thoroughly implement the mid – and long-term strategic goals set by the Board of Directors and promote the sustainable and healthy development of the Company, the Remuneration and Appraisal Committee successively reviewed and approved the staff costs of CMB and other proposals, continuously enriched the connotation of the incentive and restrictive mechanism, studied and improved the incentive scheme and promoted the implementation thereof; the Remuneration and Appraisal Committee reviewed and approved the proposal on determination of remuneration for newly appointed senior management members in 2021, and steadily promoted the orderly implementation of remuneration management matters; pursuant to the provisions of the H Share Appreciation Rights Scheme, the Remuneration and Appraisal Committee conducted validity appraisal and price adjustment in respect of the appreciation rights granted, which ensured the continuous implementation of the medium-to-long term incentive mechanism of the Company.

Risk and Capital Management Committee

The members of the Risk and Capital Management Committee are Hong Xiaoyuan (Chairman), Zhang Jian, Wang Daxiong, Luo Sheng (all being Non-Executive Directors), Wang Liang (an Executive Director) and Liu Qiao, Li Chaoxian and Shi Yongdong (all being Independent Non-Executive Directors). The Risk and Capital Management Committee is mainly responsible for supervising the status of risk management by the senior management of the Company in relation to various major risks, making regular assessment on the risk policies, risk-withstanding ability and capital management status of the Company and submitting proposals on perfecting the management of risks and capital of the Company.

Main authorities and duties:

1. Supervise the status of risk control by the senior management of the Company in relation to credit risk, market risk, operational risk, liquidity risk, strategic risk, compliance risk, reputation risk, country risk and other risks;
2. Make regular assessment on the risk policies, management status, risk-withstanding ability and capital status of the Bank;
3. Perform relevant duties under the Advanced Measurement Approach for Capital Measurement pursuant to the authorisation given by the Board of Directors;
4. Submit proposals on perfecting the management of risks and capital of the Company;

5. Arrange and instruct risk prevention works in accordance with the authorisation of the Board of Directors; and

6. Any other task delegated by the Board of Directors.

In 2021,the Risk and Capital Management Committee of the Eleventh Session of the Board of Directors of the Company held the 13th meeting (on 12 March), the 14th meeting (on 15 March) and the 15th meeting (on 8 June), the 16th meeting (on 3 August) and the 17th meeting (on 11 November). The Risk and Capital Management Committee continued to implement the Board of Director's strategic principles of "quality first, efficiency in priority, risk controllable, and moderate scale", adhered to the long-term and prudent risk management philosophy, and always maintained a strategic focus on risk management. It assisted the Board of Directors in strengthening the management of major asset allocation, green finance, impact of pandemic, capital management, comprehensive risk management under the extensive wealth management business model and other areas and actively implemented the Board of Directors' target requirements of "outrunning the market and outperforming the peers". The Risk and Capital Management Committee adhered to the quarterly meeting mechanism, assisted the Board of Directors to continuously strengthen the comprehensive risk management function, pointed out that under the business model of extensive wealth management, risk management shall be viewed from the perspective of the Bank Group, with the concept of "large assets, large liabilities, large off-balance sheet, and large revenue", formulated the "Guideline for the Five-Year Plan of China Merchants Bank in Risk Management Capacity Building (2021-2025)" 《招商銀行風險管理能力建設五年規劃綱要(2021-2025)》, revised the risk appetite of the Bank Group in a timely manner in accordance with the transformation of China's economic growth drivers and the strategic vision and strategic positioning of China Merchants Bank; paid close attention to the impact of real estate market fluctuations, the COVID-19 epidemic, and the "3060" dual carbon objectives on asset quality, stress testing and major asset allocation, and emphasised maintenance of strategic focus under the new situation; kept a watchful eye on the impact brought by Sino-US relationship to the operation and development of the Company in all aspects, and performed regular review on the working report on compliance of institutions in the United States; reviewed and heard the interim planning for capital management, internal capital adequacy assessment, risk appetite implementation, consolidated statement management and other reports, earnestly pursued the sound and prudent risk management culture and assisted the Board of Directors in further enhancing its risk management capabilities.

Audit Committee

The majority of members of the Audit Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Audit Committee are Tian Hongqi (Chairman), Wong See Hong, Li Menggang, Shi Yongdong (all being Independent Non-Executive Directors) and Zhou Song (a Non-Executive Director). None of the above persons has ever served as a partner of the incumbent auditors of the Company. The Audit Committee is mainly responsible for examining the accounting policies and financial position of the Company; and is responsible for the annual audit work of the Company, proposing the appointment or replacement of external auditors and examining the status of the internal audit and internal control of the Company.

Main authorities and duties:

1. Propose the appointment or replacement of external auditors;

2. Monitor the internal audit system of the Company and its implementation, and evaluate the work procedures and work effectiveness of the internal audit department;

3. Coordinate the communication between internal auditors and external auditors;

4. Audit the financial information of the Company and disclosure of such information, and is responsible for the annual audit work of the Company, including issue of a conclusive report on the truthfulness, accuracy, completeness and timeliness of the information contained in the audited financial statements, and submit the same to the Board of Directors for consideration;

5. Examine the internal control system of the Company, and put forward the advices to improve the internal control of the Company;

6. Review and supervise the mechanism for the Company's employees to whistle blow any misconduct in respect of financial statements, internal control or otherwise, so as to ensure that the Company always handles the whistle blowing issues in a fair and independent manner and takes appropriate actions;

7. Examine the accounting policies, financial reporting procedures and financial position of the Company; and

8. Any other task delegated by the Board of Directors.

In 2021, the Audit Committee of the Eleventh Session of the Board of Directors of the Company held the 10th meeting (on 11 March), the 11th meeting (on 16 March), the 12th meeting (on 2 April), the 13th meeting (on 22 April), the 14th meeting (on 12 May), the 15th meeting (on 11 August) and the 16th meeting (on 20 October). Based on the quarterly regular meeting system, the Audit Committee mainly reviewed the regular reports and internal and external audit reports, and reviewed and approved the annual report, interim report and quarterly report, supervised and verified the truthfulness, accuracy and timeliness of information set out in the financial statements, reviewed and approved the annual, interim and quarterly internal audit plans and work reports, proposals for engaging accounting firms and changes to accounting estimates, and listened to external auditors' audit plans, audit results, management suggestions and other reports. The Company obtained the findings of internal audits in a timely manner and strengthened bank-wide self-examination and the rectification of and the accountability for the problems concerned by relevant regulators, promoted an effective communication mechanism between internal and external audits by constantly enhancing the communication with internal and external auditors, attached great importance to the construction of a digital, intelligent and remote auditing system, carried out special research on the auditing work to grasp a comprehensive understanding of the application of the audit model across the whole bank and continued to push forward the improvement of auditing techniques. The Audit Committee gave full play to its important role in monitoring operation management, disclosing risks and issues and improving management levels, and effectively discharged relevant functions.

According to "Work Procedures on Annual Reports for Audit Committee of the Board of Directors"《董事會審計委員會年報工作規程》 adopted by the Company, the Audit Committee of the Board of Directors of the Company performed the following duties in preparing and reviewing the annual report for 2021:

1. The Audit Committee considered and discussed the accounting firm's audit plan for 2021 and the unaudited financial statements of the Company;
2. In the course of annual audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the Audit Committee reviewed the report on the operation of the Company for 2021, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit, reviewed the financial statements of the Company, and then formed written opinions on the above issues;
3. Before the convening of the annual meeting of the Board of Directors, the Audit Committee reviewed and prepared a resolution on the Company's Annual Report for 2021 which was submitted to the Board of Directors for consideration and approval. Moreover, the Audit Committee reviewed and submitted to the Board of Directors the conclusion report prepared by the auditors in charge of annual audit in respect of the audit work of the Company in 2021.

Related Party Transactions Management and Consumer Rights Protection Committee

The majority of members of the Related Party Transactions Management and Consumer Rights Protection Committee are Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Related Party Transactions Management and Consumer Rights Protection Committee are Li Chaoxian (Chairman), Wong See Hong and Tian Hongqi (all being Independent Non-Executive Directors) and Su Min (a Non-Executive Director). The Related Party Transactions Management and Consumer Rights Protection Committee is mainly responsible for inspection, supervision and review of related party transactions of the Company and protection of the legitimate rights and interests of consumers.

Main authorities and duties:

1. Identify related parties of the Company pursuant to relevant laws and regulations;
2. Inspect, supervise and review the major related party transactions and continuing connected transactions, and control the risks associated with related party transactions;
3. Review the administrative measures on related party transactions of the Company, and monitor the establishment and improvement of the related party transactions management system of the Company;
4. Review the announcements on related party transactions of the Company;
5. Review the strategies, policies and objectives of the consumer rights protection work of the Company;
6. Regularly listen to the report on the implementation of the consumer rights protection work of the Company and the relevant resolution, and make recommendations to the Board of Directors in respect of the relevant work;
7. Supervise and evaluate the comprehensiveness, timeliness and effectiveness of the consumer rights protection work of the Company, the duty performance of senior management in the protection of consumer rights, and the information disclosure of consumer rights protection work; and
8. Any other task delegated by the Board of Directors.

In 2021, the Related Party Transactions Management and Consumer Rights Protection Committee of the Eleventh Session of the Board of Directors of the Company held the 7th meeting (on 4 March), the 8th meeting (on 2 June) and the 9th meeting (on 14 October), reviewed the fairness of the related party transactions, assisted the Board of Directors to ensure the legitimacy and compliance of related party transactions, carried out relevant responsibilities of consumer right protection in accordance with the regulatory requirements, reviewed and approved various resolutions on, among others, the 2020 Annual Related Party Transaction Report and the List of Related Parties in 2021, reviewed and approved the related party transactions of the Company with China Merchants Group Ltd. and its subsidiaries, China COSCO Shipping Corporation Limited and its subsidiaries, CMB Financial Leasing, Merchants Union Consumer Finance, CSC Financial Co., Ltd., Gemdale Corporation and other related parties, reviewed and approved the "Work Report on Consumer Rights Protection for 2020" and the "Bank-wide Customer Complaint Analysis Report for 2020" and other matters, and the Committee reviewed the regulatory policy documents on consumer rights protection in recent years and the main consumer rights protection system of the Company.

5.6 Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the shareholders' general meetings, and effectively oversees the strategic management, financial activities, internal control, risk management, legal operation, corporate governance, as well as the duty performance of the Board of Directors and senior management with an aim to protect the legitimate rights and interests of the Company, its shareholders, employees, creditors and other stakeholders.

5.6.1 Composition of the Board of Supervisors

As of the end of reporting period, the Board of Supervisors of the Company consists of nine members, including three Shareholder Supervisors, three Employee Supervisors and three External Supervisors. The proportion of Employee Supervisors and External Supervisors in the members of the Board of Supervisors each meets the regulatory requirements. The three Shareholder Supervisors are from large – state-owned enterprises where they serve important posts and have extensive experiences in business management and professional knowledge in finance and accounting; the three Employee Supervisors have long participated in banking operation and management, and thus accumulated rich professional experience in finance; and the three External Supervisors have professional expertise and rich practical experience in economic management and research, accounting, corporate governance and other areas. Members of the Board of Supervisors of the Company have professional ethics and professional competence required for their performance of duties which ensures the effective supervision by the Board of Supervisors.

A Nomination Committee and a Supervisory Committee are established under the Board of Supervisors.

5.6.2 How the Board of Supervisors performs its supervisory duties

The Board of Supervisors performs its supervisory duties primarily by: holding regular meetings of Board of Supervisors and its special committees, attending shareholders' general meetings, board meetings and its special committee meetings, attending various meetings on operation and management held by the senior management; reviewing various documents of the Company, reviewing work reports and specific reports of the senior management, conducting opinion exchanges and discussions, carrying out special investigations and surveys at domestic and overseas branches of the Company on a collective or separate basis and having talks with Directors and the senior management over their duty performance in the year, communicating with external auditors regularly, etc. By doing so, the Board of Supervisors comprehensively monitors the development strategy, operation and management status, risk management status and internal control and compliance status of the Company as well as duty performance of the Directors and the senior management, and puts forward the constructive and targeted operation and management advice and supervision opinions.

5.6.3 Duty performance of the Board of Supervisors during the reporting period

During the reporting period, the Board of Supervisors convened a total of fourteen meetings, of which four were on-site meetings and ten were meetings convened in the form of written resolutions. 36 proposals regarding development strategies, business operation, financial activities, internal control, risk management, internal audit, related party transactions, corporate governance, data governance, social responsibilities, anti-money laundering work, evaluation of the duty performance of Directors, Supervisors and senior management and audit on the resignation of senior management were considered, and 26 special reports involving implementation of risk appetite, disposal of non-performing assets, capital adequacy ratio, consolidated management, prevention and control of crimes, green finance, consumer rights protection were delivered or reviewed at those meetings.

In 2021, the Company convened 1 shareholders' general meeting and 6 on-site board meetings. Supervisors attended the shareholders' general meeting and were present at all the on-site board meetings and supervised the legitimacy and compliance of convening the shareholders' general meeting and the board meetings, voting procedures, the Directors' attendance at those meetings, expression of opinions and voting details.

During the reporting period, all the three External Supervisors were able to perform their supervisory duties independently. The External Supervisors discharged their supervisory duties by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors, participating in shareholders' general meeting and meetings of the Board of Directors or any of its special committees, participating in the Board of Supervisors' investigations and surveys conducted at branch level on a collective or separate basis, proactively familiarising themselves with the operation and management and the implementation of strategies of the Company, and actively participating in studies and reviews on significant matters. During the adjournment of the meetings of the Board of Directors and the Board of Supervisors, the External Supervisors reviewed various documents and reports of the Company, and exchange opinions with the Board of Directors and senior management in respect of the problems concerned in a timely manner, thereby playing an active role in enabling the Board of Supervisors to perform their supervisory duties.

During the reporting period, the Board of Supervisors of the Company had no objection to each of the supervisory matters.

5.6.4 Operation of the special committees under the Board of Supervisors

The Nomination Committee and the Supervisory Committee are established under the Board of Supervisors, each consisting of four Supervisors, and those committees were chaired by an External Supervisor.

The Nomination Committee under the Board of Supervisors

The members of the Nomination Committee under the Board of Supervisors included Ding Huiping (Chairman), Peng Bihong, Guo Xikun and Cai Jin. The major duties of the Nomination Committee are as follows: to make proposals to the Board of Supervisors on the size and composition of the Board of Supervisors; to study the standards and procedures for the election of Supervisors and propose the same to the Board of Supervisors; to conduct extensive searches for qualified candidates for Supervisors; to undertake preliminary examination on the qualifications of the candidates for Supervisors nominated by Shareholders and provide relevant recommendations; to supervise the procedures for election of Directors; to evaluate the Board of Directors, Board of Supervisors and senior management and the duty performance of their members, and submit reports to the Board of Supervisors; to supervise whether the remuneration management system and policies of the whole Bank and the remuneration package for its senior management are scientific and reasonable.

In 2021, the Nomination Committee under the Board of Supervisors held three meetings at which it reviewed and considered the report of the Board of Supervisors on the duty performance of the Board of Directors, the Board of Supervisors and the senior management and their members in 2020, reviewed the qualification of Mr. Guo Xikun to serve as a Shareholder Supervisor, and formulated the "Measures for the Performance Evaluation of Directors and Supervisors of CMB"《招商銀行董事監事履職評價辦法》.

The Supervisory Committee under the Board of Supervisors

The members of the Supervisory Committee under the Board of Supervisors included Han Zirong (Chairman), Wu Heng, Xu Zhengjun and Wang Wanqing. The major duties of the Supervisory Committee are to formulate the supervisory plans for performance of supervisory duties by the Board of Supervisors; to formulate the supervisory plans for financial activities of the Company and conduct relevant examinations; to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and its formulation of suitable development strategies in line with the actual situations of the Company; to conduct supervision and assessment on the important financial decisions of the Board of Directors and the senior management and their implementations, the establishment and improvement of the internal control governance structure and the overall risk management governance structure and the division of duties of relevant parties and their duty performance; to formulate the specific plans for reviewing the operation decisions, internal control and risk management of the Company under the authorisation of the Board of Supervisors when necessary; to formulate the plans for conducting resignation audit on Directors, President and other senior management when necessary.

In 2021, the Supervisory Committee under the Board of Supervisors convened a total of five meetings at which it reviewed and considered the work plan of the Board of Supervisors for 2021 and the audit on the resignation of senior management and other issues. In addition, members of the Supervisory Committee under the Board of Supervisors were also present at various on-site meetings convened by the Risk and Capital Management Committee and Audit Committee under the Board of Directors. They also reviewed the consideration and discussion of the above special committee on the financial decisions, risk management, capital management, internal control compliance, internal and external audit and other aspects of the Company, and offered comments and suggestions on some of the issues.

5.6.5 Independent opinions from the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the financial activities, internal control, risk management, lawful operation as well as the duty performance of the Board of Directors and the senior management of the Company pursuant to the "Company Law of the People's Republic of China", the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

Independent opinions on relevant matters from the Board of Supervisors:

Lawful Operation

During the reporting period, the business activities of the Company complied with the "Company Law of the People's Republic of China", the "Commercial Banking Law of the People's Republic of China" and the Articles of Association of the Company, the internal control system was improved, and the decision-making procedures were lawful and valid. None of the Directors and senior management of the Company were found to have violated the relevant laws, regulations or the Articles of Association of the Company or had done anything detrimental to the interests of the Company and shareholders.

Authenticity of Financial Statements

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu separately reviewed the 2021 annual financial report prepared in accordance with the PRC Generally Accepted Accounting Principles and International Accounting Standards and have separately issued standard auditing reports with unqualified opinions. The financial reports truthfully, objectively and accurately reflect the financial status and operating results of the Company.

Use of Proceeds

During the reporting period, the use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

Purchase and Disposal of Assets

During the reporting period, the Company is unaware of any insider trading in its acquisition and sale of assets which would damage shareholders' interests or cause loss in the assets of the Company.

Related Party Transactions

In terms of the related party transactions during the reporting period, the Board of Supervisors was not aware of any conduct in contravention of the arm's length basis or were detrimental to the interests of the Company and its shareholders.

Implementation of Resolutions Passed at Shareholders' General Meeting(s)

The Board of Supervisors lodged no objections to the reports and proposals submitted by the Board of Directors to the shareholders' general meeting in 2021, supervised the implementation of the resolutions of the shareholder's general meeting(s), and concluded that the Board of Directors had duly implemented relevant resolutions passed at the shareholders' general meeting(s).

Internal Control

The Board of Supervisors had reviewed the "Report on Assessment of Internal Control of China Merchants Bank Co., Ltd. for 2021", and concurred with the Board of Directors' representations regarding the completeness, reasonableness and effectiveness of the internal control system of the Company as well as its implementation.

5.7 Investigations/Surveys and Trainings Conducted by Directors and Supervisors during the Reporting Period

During the reporting period, the Board of Directors and the Board of Supervisors of the Company organised four investigations/surveys, through which the duty performance, decision-making ability and effectiveness of supervision of our Directors and Supervisors continued to improve.

During the reporting period, the Board of Directors of the Company organised two investigations/surveys/visits for the Directors, which involved visits to some tier-1 and tier-2 branches to have deep understanding of the operation and management of its branches and sub-branches, reviewed the report of the branches on operation and management, strategic transformation, risk management and control, internal control management and consumer rights protection and put forward targeted opinions and suggestions. The Bank conducted a special investigation on the application of the audit model in the whole bank, listened to the branch's proactive discovery and rectification of problems with the help of the audit model and the remote support of auditors, and put forward targeted opinions and suggestions. In addition, the Non-Executive Directors of the Company reviewed the "Report on the Work Progress of Digital RMB Project of China Merchants Bank" (《關於招商銀行數字人民幣項目工作進展的報告》) to obtain an in-depth understanding of the progress of the Company's digital RMB project, guide the Company to give full play to its leading advantages in Fintech and strive to become a leading digital RMB operator in the market.

During the reporting period, the Directors of the Company participated in relevant trainings or researches according to the requirements on duty performance, the contents of which include corporate governance, policies and regulations, banking operation and management and compliance in anti-money laundering and sanctions and green finance. The above researches and trainings helped improve the duty performance of the Directors, ensured that the Directors were fully aware of the information required for duty performance, and continued to make contributions to the Board of Directors of the Company.

During the reporting period, the Board of Supervisors of the Company dynamically adjusted the research arrangement according to the overall situation of the domestic pandemic, overcame the uncertain impact of the pandemic on investigation and survey plans and conducted two domestic collective investigations, involving five branches and sub-branches. The investigations and surveys adhered to pragmatic and efficient practice, and base on the full understanding of the overall operation, risk management and asset quality, internal control and compliance, performance rating and other information of each branch, we directly faced the difficulties and problems confronted by the branches, focused on the nature and crux of the problems, actively responded to the demands of branches and put forward suggestions to solve problems, and put forward specific supervisory opinions and suggestions in terms of strengthening Party building to promote business development, strategic implementation and transmission by the Head Office, promoting the integration and linkage of regional operations, consolidating the long-term mechanism of basic management and deepening team building and employee care. Through the "Work Summary of the Board of Supervisors (《監事會工作要情》)", the Board of Supervisors conveyed the actual status of the branches and their appeals and suggestions to the Head Office to the Board of Directors and senior management, and continue to promote the implementation and resolution of problems by way of supervision.

During the reporting period, all Supervisors of the Company participated in online training of "Anti-Money Laundering and Sanction Compliance" in accordance with regulatory requirements, systematically studied the construction of anti-sanction law system, the amendments to "Anti-money Laundering Law", the case studies of telecom and online anti-fraud and compliance to international sanctions, promoted the Board of Supervisors to grasp the new policies and situation in anti-money laundering and sanction compliance, and further improved the ability of the Board of Supervisors to perform duties in anti-money laundering and anti-terrorism financing. By participating in the online training course for directors, supervisors and senior management of listed companies held by the CSRC, Shenzhen Branch, some supervisors systematically learned about the regulatory status of listed companies, laws and regulations and interpretation of the latest policies, corporate governance and the responsibilities and obligations of directors, supervisors and senior management, financial issues and cases of violations of laws and regulations, thus improving the Supervisors' daily supervisory capability on the Company in a targeted manner.

5.8 Company Secretary under Hong Kong Listing Rules

During the reporting period, Mr. Wang Liang and Ms. Ho Wing Tsz Wendy of Tricor Services Limited, an external services provider, are the joint company secretaries of the Company under Hong Kong Listing Rules. Mr. Wang Liang is the major contact person of the Company on internal issues.

During the reporting period, Mr. Wang Liang and Ms. Ho Wing Tsz Wendy attended the relevant professional trainings for not less than 15 hours in compliance with the requirements of Rule 3.29 of Hong Kong Listing Rules.

5.9 Major Amendments to the Articles of Association of the Company

During the reporting period, the Company did not amend the Articles of Association of the Company.

5.10 Communication with Shareholders

Investor relations

The Company has established an effective communication mechanism with investors. Through the Company's official website, investors' mailbox, hotline and "SSE E-interaction" platform, the Company provided communication channels for investors in the form of shareholders' meetings, investor briefings, road shows, investor research, securities analyst research, etc., which fully satisfied the needs of our investors and analysts at home and abroad to communicate with the Company.

In 2021, the Company remained focus on investors, actively responded to the impact of the pandemic and continued to strengthen its communication with the capital market through webcasts, conference calls and other methods. Meanwhile, based on its thoughts about the historical phase, strategic choices and impact of the pandemic, the Company comprehensively and thoroughly introduced its stable fundamentals as well as the logic and strategy behind its differentiated development to various domestic and foreign investors and analysts, and also responded in a timely and efficient manner to the Company's business model for development stage 3.0, cyclic extensive wealth management value chain, risks in the real estate sector, the impact and effects of the pandemic and Fintech. As at the end of the reporting period, the valuation of the Company's A+H Shares remained at the forefront in the domestic banking industry.

During the reporting period, the Company held one annual general meeting in the form of on-site + webcast, the whole process of which was webcast through the CMB APP for the first time; held one annual results press conference through webcast, and broadcast it in real time through the Shanghai Stock Exchange Roadshow Center and the Wind 3C conference platform for the first time; held one interim results exchange meeting and two quarterly results exchange meetings; approximately 6,000 investors, analysts and media reporters participated in the annual results press conference, representing a record high in the number of participants, and the market response was positive. The Company released the records of investor exchanges on its official website in a timely manner after the annual results press conference, interim and quarterly results exchange meetings and annual general meeting, and actively responded to market concerns, which helped to provide the capital market with more comprehensive and true information of China Merchants Bank.

The Company attached great importance to the management of investor relations. Chairman Miao Jianmin and President Tian Huiyu attended the 2020 annual general meeting and the 2020 annual results press conference, elaborated on building cyclic extensive wealth management value chain and promoted the transformation of the business model 3.0, respectively, and they gave detailed answers to other market and media concerns. Following the release of 2020 annual results, President Tian Huiyu and other senior management formed three teams to conduct road-shows, conducted sincere and full communication with nearly 200 institutional investors of A Shares and H Shares of the Company, objectively analysed the internal and external opportunities and challenges faced by the Company and unique differentiated competitive advantages, and fully expressed our determination to maintain long-term strategic focus. Given the increased instability in market sentiment since the pandemic outbreak, investors and senior management of the Company have a stronger need for communication. First Executive Vice President Wang Liang led the team to participate in the 2021 interim results exchange meeting, where he introduced the connotation of the business model 3.0 to more than 500 investors and analysts who attended the meeting, and conducted full and effective communication on other market concerns. At the 2021 first quarterly results exchange meeting and the third quarterly results exchange meeting, Vice President Liu Jianjun (resigned) and Vice President Zhu Jiangtao led respective teams to interact and communicate with the investors of A Shares and H Shares of the Company and analysts on the quarterly results, and actively responded to the capital market's concerns on the impact of the common prosperity policy on the extensive wealth management business, risk management in the real estate sector, and increase in assets under management (AUM) from retail customers and other issues.

In 2021, the Company participated in several investment strategy meetings held by a total of 52 domestic and foreign investment banks and securities companies. Through over 100 discussions in "one-to-one" or "one-to-many" meetings, the Company has met with more than 1,000 domestic and foreign institutional investors, representing a further year-on-year increase in the number of investors met. The Company participated in the online collective reception day for investors of listed companies in Shenzhen held by Shenzhen Public Companies Association and p5w.net (全景網) for the first time, which further stabilised the core institutional investors' shareholding in the Company and enhanced their confidence in the Company's long-term strategy and stable operation. We also answered hundreds of phone calls from our investors and processed hundreds of messages from our investors on the Company's official website, investors' mailbox, and "SSE E-interaction".

The Company has recorded the above-mentioned investor reception and communication activities in accordance with relevant regulatory requirements, and has properly kept the relevant documents.

Information disclosure

The information disclosure of the Company is based on its sound corporate governance, leveraged on its effective internal control and supported by its relatively complete information disclosure system, and thus can ensure investors' access to information in a timely, accurate and equal manner. The Board of Directors and the senior management of the Company attached great importance to information disclosure, and are committed to continuously improving the timeliness, effectiveness and transparency of information disclosure by focusing on the investors. Since the Shanghai Stock Exchange launched the annual appraisal of information disclosure of listed companies, as of the end of 2021, the Company has received the highest grade of "A" for eight consecutive years.

During the Reporting Period, the Company disclosed a total of 283 documents with approximately 1.97 million words on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. No information disclosure errors have occurred. Meanwhile, in terms of the timeliness, effectiveness and transparency of information disclosure, the Company further improved the timeliness of the disclosure of regular reports and performance bulletins. The Company led investors to further understand the Company's strategic plans and objectives by strengthening strategic publicity in regular reports, continued to optimise the disclosure of issues that investors focus on, continued to deepen the analysis of hot market issues in the form of special topics, comprehensively revised the disclosure structure of quarterly reports, enriched the disclosure content, and shortened the frequency of disclosure of key information that investors pay attention to from semi-annually to quarterly. By proactively disclosing information that is crucial for investors' decision-making, the Company has continuously improved the timeliness and quality of information disclosure, thus effectively protecting investors' right to information. In addition, the Company kept pace with the times and further innovated the visual disclosure form of the annual report. During the reporting period, the Company released a visual annual report "Chasing the Light" in the form of short video for the first time, focusing on the operational highlights and the effectiveness of the strategy implementation throughout the year, thus helping to improve the reading experience of investors and continuously practising the "investor-centered" service philosophy.

The Company has established a relatively comprehensive and complete information disclosure management system. During the reporting period, the Company revised the "Working System for Secretary of the Board of Directors" (《董事會秘書工作制度》) to further consolidate the basic management of information disclosure through internalisation of external regulations. The Company proactively carried out daily management, strengthened compliance education, implemented the registration system of insiders in strict compliance with regulatory requirements and effectively prevented inside information leakage and insider trading risks. The Company updated and improved the scope and quantitative standards for reporting major and sensitive information in a timely manner in accordance with the regulatory requirements, and enhanced the compliance awareness of the entities responsible for information disclosure across the Bank by sending regular reminders.

5.11 Shareholders' Rights

Convening of extraordinary shareholders' general meetings

An extraordinary shareholders' general meeting shall be convened by the Board of Directors within two months upon request in writing by shareholders individually or jointly holding more than 10% of the Company's voting shares.

Making proposals at the shareholders' general meetings

If the Company convenes a shareholders' general meeting, shareholders individually or jointly holding more than 3% of the total issued voting shares of the Company may submit interim proposals in writing to the Company 15 working days before the convening of the shareholders' general meeting and submit the same to the convenor. The convenor shall issue a supplemental notice to the shareholders' general meeting and announce the contents of the interim proposals within two working days after receiving the proposals.

Convening of extraordinary board meeting

An extraordinary board meeting may be held if it is requisitioned by shareholders representing more than 10% of the voting rights. The Chairman shall convene the extraordinary board meeting within 10 days upon receiving such proposal requisitioned by shareholders representing more than 10% of the voting rights .

Making inquiries to the Board of Directors

Shareholders are entitled to review the information on the Company (including the Articles of Association of the Company, the status of share capital, the minutes of the shareholders' general meeting, resolutions of board meetings, resolutions of meetings of the Board of Supervisors, financial and accounting reports) in accordance with the provisions of the Articles of Association of the Company upon the submission of written documents certifying the class and quantity of shares of the Company held by the shareholders, the identity of whom has been verified by the Company.

Cash dividend policies

The Company has formulated its cash dividend policies. For details, please refer to "The formulation and implementation of the Company's cash dividend policies" below.

5.12 Profit Appropriation

5.12.1 The profit appropriation plan for 2021

Ten percent of the audited net profit of the Company for 2021 of RMB109.794 billion, equivalent to RMB10.979 billion, was allocated to the statutory surplus reserve, while 1.5% of the amount of the increased balance of the Company's assets that bearing risks and losses at the end of the period, equivalent to RMB11.874 billion, was appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB1.522 (tax included) for every share to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual appropriations amount in HKD would be calculated based on the average RMB/HKD benchmark rate to be released by the People's Bank of China for the previous week (including the day of the shareholders' general meeting) before the date of the shareholders' general meeting. The retained profits will be carried forward to the next year. In 2021, the Company did not transfer any capital reserve into share capital. The above profit appropriation plan is subject to consideration and approval at the 2021 Annual General Meeting of the Company.

For the other information on the closing date for registration, the period for closure of register of members and the profit appropriation plan for the shareholders who are entitled to attend the Company's 2021 Annual General Meeting and those who are entitled to receive the final dividends for 2021, the Company will make further announcement(s) at appropriate times. The Company expects that the distribution of final dividends to the H Shareholders will be completed by 30 August 2022.

5.12.2 Profit appropriation for the last three years

Year	Number of bonus shares for every share held (No. of shares)	Cash dividend for every share held (inclusive of tax, in RMB)	Number of shares issued on capitalisation of surplus reserve for every share held (No. of shares)	Total cash dividends (inclusive of tax, in millions of RMB)	Net profit attributable to holders of ordinary shares in the consolidated financial statements for the year (in millions of RMB)	Proportion of cash dividend to net profit attributable to holders of ordinary shares in the consolidated financial statements (%)
2019	–	1.20	–	30,264	91,197	33.19
2020	–	1.253	–	31,601	95,691	33.02
2021(note)	–	1.522	–	38,385	116,309	33.00

Note: The profit appropriation plan for 2021 is subject to consideration and approval at the 2021 Annual General Meeting of the Company.

5.12.3 The formulation and implementation of the Company's cash dividend policies

1. As specified in the Articles of Association of China Merchants Bank Co., Ltd., the profit appropriation policies of the ordinary shares of the Company are:

   (1) Profit appropriation of the Company shall focus on reasonable returns on investment of the investors, and such policies shall maintain continuity and stability.

   (2) The Company may distribute dividends in cash, shares or a combination of cash and shares, and it shall distribute dividends mainly in cash. Subject to compliance with prevailing laws, regulations and the requirements of relevant regulatory authority on the capital adequacy ratio, as well as the requirements of general working capital, business development and the need for substantial investment, merger and acquisition plans of the Company, the cash dividend to be distributed by the Company to shareholders of ordinary shares each year in principle shall not be less than 30% of the net profit after taxation attributable to shareholders of ordinary shares audited in accordance with the PRC accounting standards for that year. The Company may pay interim cash dividend. Unless another resolution is passed at the shareholders' general meeting, the Board of Directors shall be authorised by the shareholders at a shareholders' general meeting to approve the interim profit appropriation plan.

   (3) If the Company generated profits in the previous accounting year but the Board of Directors did not make any cash profit appropriation proposal after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the Independent Directors shall give an independent opinion in such regard.

   (4) If the Board of Directors considers that the price of the shares of the Company does not match the size of share capital of the Company or where the Board of Directors considers necessary, the Board of Directors may propose a profit appropriation plan in the form of shares and implement the same upon consideration and approval at a shareholders' general meeting, provided that the abovementioned cash profit appropriation requirements are satisfied.

   (5) The Company shall pay cash dividends and other amounts to holders of domestic shares listed domestically and such sums shall be calculated, declared and paid in Renminbi. The Company shall pay cash dividends and other amounts to holders of H Shares and such sums shall be calculated and declared in Renminbi and paid in Hong Kong Dollars. The foreign currencies required by the Company for payment of cash dividends and other sums to shareholders of overseas listed foreign shares shall be handled according to the relevant requirements of foreign exchange administration of the State.

   (6) Where appropriation of the Company's fund by a shareholder, which is in violation of relevant rules, has been identified, the Company shall make deduction against the cash dividend to be paid to such shareholder, and such amount shall be used as the reimbursement of the funds appropriated.

   (7) The Company shall disclose the implementation progress of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

2. During the reporting period, the profit appropriation plan of the Company for 2020 was implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd.. It was considered and approved by the 22nd meeting of the Eleventh Session of the Board of Directors of the Company and submitted for consideration and approval at the 2020 Annual General Meeting. The criteria and proportion of cash dividend were clear and specific, and the Board of Directors of the Company has implemented the profit appropriation plan. The profit appropriation plan of the Company for 2021 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd.. It will be considered and approved by the 37th meeting of the Eleventh Session of the Board of Directors of the Company and submitted for consideration and approval at the 2021 Annual General Meeting of the Company. The Independent Directors of the Company have expressed their independent opinions on the profit appropriation plans for 2020 and 2021 that the profit appropriation plans of the Company and their implementation process have provided adequate protection for the legitimate rights and interests of minority investors.

5.13 Information on Employees

As of 31 December 2021, the Group had 103,669 employees[27] (including dispatched employees).

The classification of the Group's employees by profession is: 18,058 employees in corporate finance, 45,041 employees in retail finance, 6,386 employees in risk management, 14,597 employees in operation management, 10,043 employees in research and development, 1,212 employees in administrative and logistical support, and 8,332 employees in general management.

The classification of the Group's employees by educational background is: 23,737 employees with master's degrees and above, 65,741 employees with bachelor's degrees and 14,191 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 25,495 employees in the Yangtze River Delta, 12,618 employees in the Bohai Rim, 32,216 employees in the Pearl River Delta and West Side of Taiwan Strait, 5,176 employees in the North-eastern China, 11,616 employees in the Central China, 13,366 employees in the Western China, and 3,182 employees outside Mainland China.

The classification of the Group's employees in research and development by educational background is: 4,701 employees with master's degrees and above, 5,214 employees with bachelor's degrees, and 128 employees with junior college degrees or below. The range of the employees by age is: 5,967 employees aged 30 and below, 3,304 employees aged 30-40 (excluding 30 years old, including 40 years old), 658 employees aged 40-50 (excluding 40 years old, including 50 years old) and 114 employees aged 50-60 (excluding 50 years old, including 60 years old).

Staff remuneration policy and training

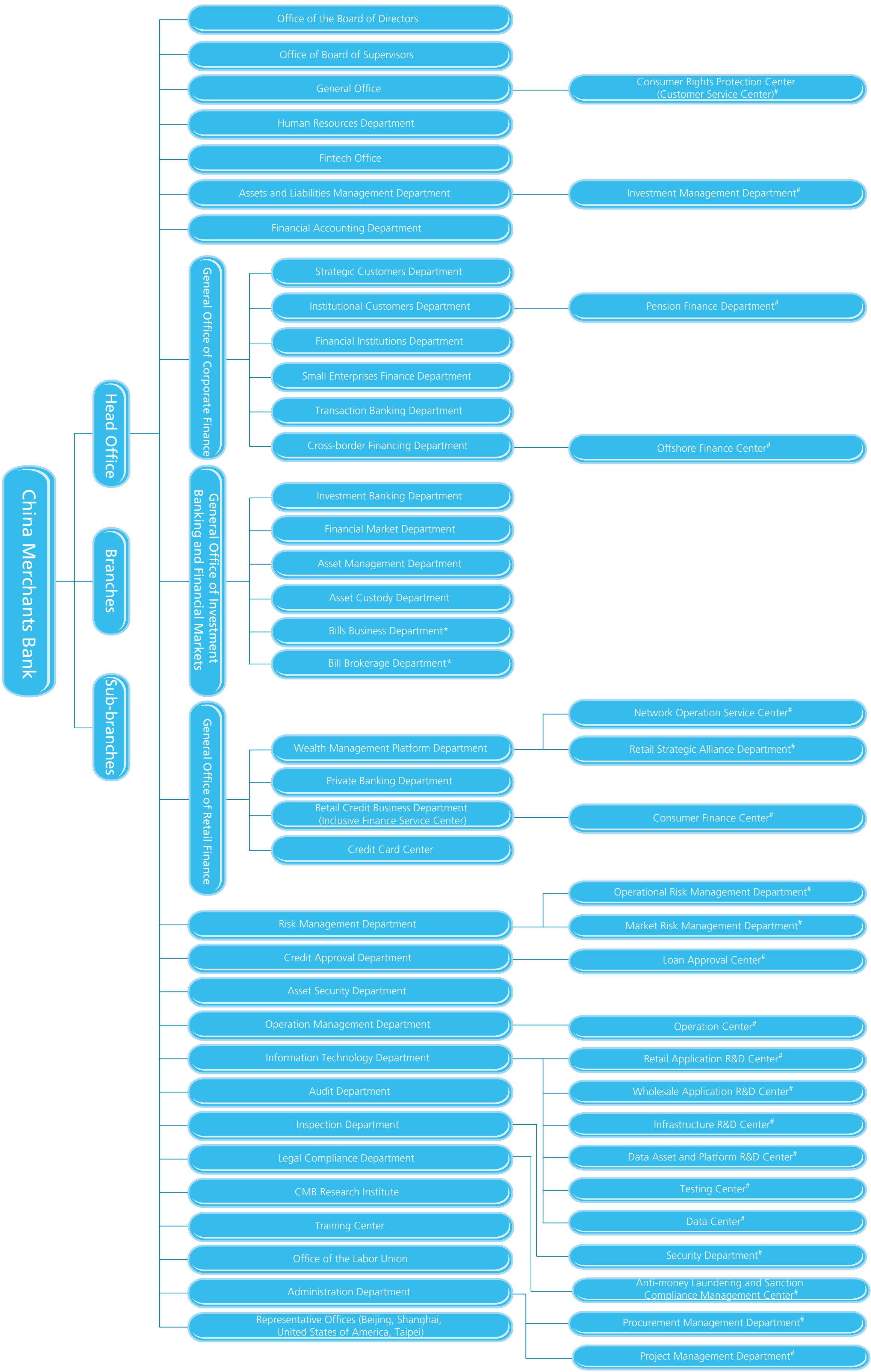
The Company's remuneration policy is in line with its operation targets, cultural and value concepts. It aims to refine and improve its incentive and restrictive mechanisms, realise its corporate strategies, enhance its organisational performance and minimise its operating risk. The remuneration policy adheres to the remuneration management principles featuring "strategic orientation, performance enhancement, risk control, internal fairness and market adaptation" and reflects the remuneration concept of "fixing remuneration based on positions and workload". In order to improve the remuneration incentive and restrictive mechanism and mitigate various operating and management risks, the Company has established a mechanism related to remuneration deferred payment and performance-based remuneration recovery in accordance with regulatory requirements and operational management needs.

The Company has established a categorised, professional and digital talent training system, and adopts a diversified training method that combines online and offline training. The contents of training mainly focus on knowledge of its business and products, professional ethics and security, cultural values and leadership. During the reporting period, the completion rate of the Company's training and education programs was over 100%.

For details of the Company's human resources development, please refer to section 4.3.6 "Human Resources Development" in this report.

27 Including employees of the Company, CMB Wing Lung Group, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMB Life Insurance, CIGNA & CMAM, Merchants Union Consumer, CMB Network Technology and CMB YunChuang.

5.14 Organisational Structure of the Company



Note: #secondary department
*independent secondary department

5.15 Head Office and Branches and Representative Offices

Regions	Name of branches	Business address	No. of branches	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Shenzhen	1	3,423,632
	Credit Card Center	686 Lai' an Road, Pudong New District, Shanghai	1	811,862
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New District, Shanghai	102	333,407
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, China (Shanghai) Pilot Free Trade Zone	1	35,924
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	87	224,246
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	74	238,073
	Ningbo Branch	342 Min' an East Road, Ningbo	34	89,859
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	33	136,933
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	20	59,908
	Wenzhou Branch	Block 2, 4, 5, Hongshengjin Garden, Wuqiao Avenue, Lucheng District, Wenzhou	15	39,732
	Nantong Branch	111 Gongnong Road, Nantong	17	41,251
Bohai Rim	Beijing Representative Office	26/F, Building 3, No.1 Yuetan South Street, Xicheng District, Beijing	1	/
	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	118	398,580
	Qingdao Branch	65 Hai' er Road, Laoshan District, Qingdao	52	62,332
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	43	97,668
	Jinan Branch	Building 1, District 4, No. 7000, Jingshi Road, High-tech Zone, Jinan	61	104,572
	Yantai Branch	66 Zhujiang Road, Economic & Technological Development Area, Yantai	17	24,552
	Shijiazhuang Branch	172 Zhonghua South Street, Shijiazhuang	17	28,279
	Tangshan Branch	45 Beixin Road West, Lubei District, Tangshan	11	9,612
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	75	207,465
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	124	483,809
	Fuzhou Branch	316 Jiangbinzhong Boulevard Road, Fuzhou	37	74,831
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	31	69,621
	Quanzhou Branch	180 Jiangbin North Road, Fengze Street, Quanzhou	17	29,529
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	28	62,499
	Foshan Branch	12 Denghu Road East, Guicheng Street, Nanhai District, Foshan	31	74,404

Regions	Name of branches	Business address	No. of branches	Asset scale (in millions of RMB)
North-eastern China	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	54	50,816
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	36	49,738
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	39	43,354
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	24	25,374
Central China	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	126	174,371
	Nanchang Branch	1111 Huizhan Road, Honggutan District, Nanchang City	56	100,309
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha City	45	68,512
	Hefei Branch	169 Funan Road, Hefei	42	73,885
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	52	91,190
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	24	38,596
	Haikou Branch	Building C, Haian Yihao, 1 Shimao Road North, Haikou	9	20,331
Western China	Chengdu Branch	No. 1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	58	103,496
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	29	37,192
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	70	116,084
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	50	115,150
	Urumchi Branch	2 Huanghe Road, Urumchi	16	30,051
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	54	64,904
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	23	30,225
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	19	36,515
	Guiyang Branch	West 2nd Tower, International Finance Center, Guanshanhu District, Guiyang	16	27,563
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	15	16,956
	Xining Branch	4 Xinning Road, Chengxi District, Xining	11	12,136
Outside Mainland China	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	92,168
	USA Representative Office	535 Madison Avenue,18th Floor, New York, U.S.A	1	/
	New York Branch	535 Madison Avenue,18th Floor, New York, U.S.A	1	70,691
	Singapore Branch	1 Raffles Place, Tower 2, #32-61, Singapore	1	10,784
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	12,548
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	10,988
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	13,627
Total	/	/	**1,924**	**8,700,134**

5.16 Internal Control

During the reporting period, the Company actively organised the "Year of Internal Control and Compliance Management Construction" activities in accordance with the unified deployment of the China Banking and Insurance Regulatory Commission. Focusing on the main points of the "Year of Internal Control and Compliance Management Construction" activities, the Company conducted in-depth self-examination and implemented comprehensive rectification for the whole Bank. The identified problems were investigated and rectified immediately, which eliminated the hidden risks in a timely manner, and the relevant responsible departments and persons were held strictly accountable. In addition to self-examination and self-correction, the Company carried out in-depth and extensive publicity and education on internal control and compliance management, employees' professional ethics, and compliance with the law across the Bank, to completely raise employees' awareness of compliance operation and risk prevention and control, adhere to the bottom line for risk compliance, effectively prevent all kinds of risks and firmly established the concept of "Priority for Internal Control and Compliance-focused"; so as to achieve the construction goals of improved internal control system, continuously enhanced internal control efficiency, stronger consciousness of compliance, and continuous cultivation of compliance culture, fostering a long-term mechanism for internal control and compliance management of "we dare not violate regulations, cannot violate regulations, and are unwilling to violate regulations". To copy with the impact of the COVID-19 pandemic on the on-site inspections, the Company further promoted the openness and sharing of the auditing "Hawk Eye" system to the Head Office business departments and the branches, organised the business lines and the branches to make full use of inspection tools, such as data model, audio and video recording and business image system, so as to continue to strengthen the off-site inspection and data verification, conscientiously perform the duty of business supervision, and effectively guarantee the compliance operation and the steady and healthy development of the Company's various businesses.

During the reporting period, the Company organised evaluation campaigns on the status of internal control of the whole Bank in 2021. As reviewed by the Board of Directors of the Company, no significant defects in terms of completeness, reasonableness and effectiveness were found in the Company's internal control system. For details, please refer to the "Report of Assessment on Internal Control of China Merchants Bank Co., Ltd. in 2021", and the "Auditors' Report on Internal Control of China Merchants Bank Co., Ltd. in 2021" issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP with standard unqualified opinions.

5.17 Internal Audit

The Company has an independent and vertical internal audit management system. The Board of Directors shall assume the ultimate responsibility for the independence and effectiveness of internal audit, being responsible for reviewing and approving the constitutional documents of internal audit, establishing the audit organisation system, formulating the medium-to-long term audit plan and the annual audit plan, appointing the head officer of the audit department, providing necessary support to carry out internal audit work independently and objectively, and assessing the independence and effectiveness of internal audit work. The Head Office has an Audit Department, which shall be accountable to the Board of Directors and the Audit Committee under the Board of Directors and report its work to such Committee. It is under the guidance of the Board of Supervisors and senior management, which shall undertake specific internal audit duties. The Audit Department under the Head Office consists of nine audit divisions, which strengthens the ongoing audit and rectification following-up of regional branches and institutions. The Audit Department under the Head Office has nine specialised teams to strengthen off-site audit work such as "research, analysis, organisation and guidance" and enhanced the support and guidance to the audit divisions. Meanwhile, four corresponding audit teams were set up to strengthen the auditing of departments under Head Office, overseas institutions, anti-money laundering work and credit card business.

In 2021, the Company paid close attentions to its strategies, risks and regulatory concerns and adhered to value and problem orientation to carry out audit and supervision, consultation and evaluation work over strategy implementation, transformation and development, operational efficiency and etc.. Focusing on risk prevention and control in key business areas, it implemented industrial regulatory requirements, promoted the construction of digital auditing, vigorously practiced "openness and integration", strengthened audit rectifications, and promote the continuous improvement of mechanism, process and system, and effectively promote the stable and healthy development of the Bank's operation and management.

5.18 Compliance with the Corporate Governance Code

During the reporting period, the Company has applied the principles of the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules and has complied with all the code provisions and recommended practices (if applicable).

Practising inclusive finance Supporting the development of small- and micro-sized enterprises

Important Events

6.1 Principal Business Activities

The Company is engaged in banking and related financial services.

6.2 Financial Highlights

Details are set out in Chapter II Summary of Accounting Data and Financial Indicators.

6.3 Shareholders' Equity

For details of changes in shareholders' equity of the Company, please refer to the "Statement of Changes in Equity" in the financial statements.

6.4 Fixed Assets

Changes in fixed assets of the Company as at the end of the reporting period are detailed in Note 28 to the financial statements.

6.5 Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities during the reporting period.

6.6 Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association of the Company and the shareholders of the Company have not been granted any pre-emptive rights.

6.7 Retirement and Welfare

Details about retirement welfare provided by the Company to its employees are detailed in Note 39 to the financial statements.

6.8 Principal Customers

As at the end of the reporting period, the net operating income contributed by the top 5 customers of the Company did not exceed 30% of the total net operating income of the Company.

6.9 Compliance with Laws and Regulations

During the reporting period, the Company has complied in all material aspects with the relevant laws and regulations that would have a material impact on the operations of the Company.

6.10 Directors' Interests in the Businesses Competing with Those of the Company

During the reporting period, none of the Directors of the Company has any interests in the businesses which compete or are likely to compete, either directly or indirectly, with those of the Company.

6.11 Financial, Business and Kinship Relations among Directors, Supervisors and Senior Management

Save as disclosed herein, the Company is not aware that there has been any financial, business, kinship or other material or connected relations among the Directors, Supervisors and senior management of the Company.

6.12 Contractual Rights and Service Contracts of Directors and Supervisors

During the reporting period, the Directors and Supervisors of the Company have no material interests in contracts of significance to which the Company or any of its subsidiaries was a party. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (excluding statutory compensation).

6.13 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, the Company was not subject to criminal investigations for suspected crimes, and none of the Company's Directors, Supervisors and senior management members were subject to compulsory measures in accordance with the law. The Company, its Directors, Supervisors and senior management members were not subject to criminal punishment, or subject to investigations by the CSRC or administrative punishment by the CSRC for suspected violations of laws and regulations, or subject to administrative punishments by other competent authorities that have major impact on the operation of the Company. The Directors, Supervisors and senior management members of the Company were not subject to detention by the disciplinary inspection and supervision authorities for suspected of serious violations of laws and regulations or duty-related crimes that affected the performance of their duties, and not subject to compulsory measures taken by other competent authorities for suspected violations of laws and regulations that affected the performance of their duties.

6.14 Explanation on the Integrity of the Company

During the reporting period, there was no circumstance where the Company failed to fulfill any obligation under effective court judgments or repay any due debt of a significant amount.

6.15 Misconduct Reporting and Monitoring

During the reporting period, the Company had no internal cases that inflicted huge losses, or external accomplished cases or incidents of theft or robbery, or material safety issues.

6.16 Undertakings

In the course of the rights issue of A shares and H shares in 2013, each of China Merchants Group Ltd., China Merchants Steam Navigation Co., Ltd. (招商局輪船股份有限公司) (now renamed as China Merchants Steam Navigation Co., Ltd. (招商局輪船有限公司)) and China Ocean Shipping (Group) Company (now renamed as China Ocean Shipping Company Limited) had undertaken that they would not seek for related party transactions on terms more favorable than those given to other shareholders; they would repay the principal and interest of the loans granted by the Company on time; they would not interfere with the daily operations of the Company. Upon expiration of the lock-up period of the allocated shares, they would not transfer their allocated shares until they obtain the approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; and upon obtaining the approval from the Board of Directors and the shareholders' general meeting of the Company, they would continue to support the reasonable capital needs of the Company; they would not impose unreasonable performance indicators on the Company. For details, please refer to the A Share Rights Issue Prospectus dated 22 August 2013 on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. So far as the Company is aware, as at the end of the reporting period, the above shareholders had not violated the aforesaid undertakings.

According to the relevant requirements of the CSRC, the Company considered and approved the "Resolution Regarding the Dilution of Current Returns by the Non-public Issuance of Preference Shares and the Remedial Measures" at its 2016 Annual General Meeting, and formulated the remedial measures in respect of the dilution of current returns of the holders of ordinary shares which may be caused by the non-public issuance of preference shares. The measures include adhering to the strategic direction of "Light-model Bank" and the strategic positioning of "One Body with Two Wings", creating differentiated competitive advantages, strengthening the awareness of capital constraints and return on capital, striving to reduce capital consumption, improving the efficiency of capital utilisation, strengthening the management of asset quality, and maintaining a stable return policy for the holders of ordinary shares. Meanwhile, the Directors and senior management of the Company also undertook to earnestly implement the remedial measures. So far as the Company is aware, as at the end of the reporting period, neither the Company nor its Directors and senior management had breached any of the aforesaid undertakings.

6.17 Significant Connected Transactions[28]

6.17.1 Overview of connected transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a majority of the continuing connected transactions of the Company met the de minimis exemption and the non-exempt continuing connected transactions fulfilled the reporting and announcement requirements under the Hong Kong Listing Rules.

6.17.2 Non-exempt continuing connected transactions

As at the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of the equity interest in CMFM, respectively. Therefore, in accordance with the Hong Kong Listing Rules, CMFM and its associates ("CMFM Group") are connected parties of the Company, and the fund agency sales service provided by the Company to CMFM Group constituted non-exempt continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 3 December 2019, the Company entered into a Business Co-operation Agreement with CMFM on an arm's length basis and on normal commercial principles for a term commencing on 1 January 2020 and expiring on 31 December 2022. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and shall pay agency service fees to the Company according to the agreement. Meanwhile, the Company has announced the annual caps of RMB1.4 billion, RMB1.6 billion and RMB1.8 billion for the continuing connected transactions with CMFM Group for 2020, 2021 and 2022, respectively as approved by the Board of Directors. The annual caps for the service fees, in respect of which the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules were not more than 5%. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. For details, please refer to the relevant announcement of the Company dated 3 December 2019.

In 2021, the continuing connected transactions between the Company and CMFM Group amounted to RMB1,164 million.

[28] Both "connected transactions" and "connected parties" in this section are terms used in Hong Kong Listing Rules.

6.17.3 Confirmation from the Independent Non-Executive Directors and auditors

The Independent Non-Executive Directors of the Company have reviewed the above-mentioned non-exempt continuing connected transactions between the Company and CMFM Group and confirmed that:

1. The transactions were entered into in the ordinary and usual course of business of the Company;
2. The terms of the transactions are fair and reasonable, and are in the interest of the Company and its shareholders as a whole;
3. The transactions were entered into on normal commercial terms or better terms;
4. The transactions were conducted in accordance with the terms of relevant agreements.

Furthermore, pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Company has engaged Deloitte Touche Tohmatsu to perform relevant assurance procedures on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that the auditor has reported the results of its performing procedures to the Board of Directors.

Regarding the disclosed continuing connected transactions, nothing of these transactions has come to the attention of the auditor as the circumstances described under rule 14A.56 of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has issued an assurance letter in respect of the findings of the above continuing connected transactions. The Company has submitted a copy of the letter to the Hong Kong Stock Exchange.

6.17.4 Significant transactions with related parties

The significant transactions between the Company and related parties are set out in note 61 to the financial statements. These transactions comprised those between the Company and its related parties in its ordinary course of business, including borrowings, investments, deposits, securities trading, agency services, custody and other fiduciary operations as well as off-balance sheet transactions. These transactions were conducted on normal commercial terms in the ordinary course of business of the Company. For those transactions constituted the connected transactions under the Hong Kong Listing Rules, all of them have complied with the applicable requirements thereof.

6.18 Material Litigations and Arbitrations

Several litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 211 pending cases (including litigations and arbitrations) in which the Company was involved, with an aggregate of principal and interest of RMB1,135 million. The Company believes that none of the above litigation and arbitration cases would have a significant adverse impact on the financial position or operating results of the Company.

6.19 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, the Company did not have any material contract signed in connection with holding in custody, contracting or leasing of any assets of other companies outside the normal scope of banking businesses, or vice versa.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the CBIRC, the Company did not have any other significant discloseable guarantees, nor was the Company a party to any guarantee contract in violation of the resolution procedures of external guarantees as required by laws, administrative regulations and the CSRC.

Explanatory notes and independent opinions of the Independent Non-Executive Directors on the guarantees of China Merchants Bank

In accordance with the relevant requirements of the CSRC and Shanghai Stock Exchange, the Independent Non-Executive Directors of the Company carried out a due diligence review of the external guarantees of the Company for 2021 on an open, fair and objective basis, and issued their opinions on the special review as follows:

After review, it was ascertained that the external guarantee business of China Merchants Bank was approved by the CBIRC, and it was carried out in the ordinary course of business of banks as a conventional business. As at 31 December 2021, the balance of the irrevocable guarantees of China Merchants Bank and its subsidiaries was RMB204.815 billion.

China Merchants Bank emphasises the risk management of the guarantee business. It has formulated specific management measures and operation workflow according to the risk profile of this business. In addition, China Merchants Bank has enhanced risk monitoring and safeguarded this business through management means such as on-site and off-site inspections. During the reporting period, the guarantee business of China Merchants Bank had been in normal operation and there was no circumstance in which a guarantee contract was entered into in violation of laws, administrative regulations and the external guarantee resolution procedures stipulated by the CSRC.

6.20 Use of Funds by Related Parties

During the reporting period, neither the substantial shareholders of the Company nor other related parties had used any funds of the Company for non-operating purposes, and none of them had used the funds of the Company through, among others, any related transactions not entered into on an arm's length basis. Deloitte Touche Tohmatsu Certified Public Accountants LLP, being the auditor of the Company, has issued a special audit opinion in this regard.

6.21 Appointment of Accounting Firms

According to its resolutions passed at the 2020 Annual General Meeting, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2021 and Deloitte Touche Tohmatsu as the international accounting firm of the Company and its overseas subsidiaries for 2021. These two accounting firms have been engaged as auditors of the Company since 2016. Zhu Wei and Wu Lingzhi are the certified public accountants who signed the audit report on the Company's financial statements for 2021 prepared in accordance with the PRC Generally Accepted Accounting Principles, who have been serving as the public accountants signing the financial statements of the Company since 2017 and 2021, respectively.

The financial statements of the Company for 2021 prepared under the PRC Generally Accepted Accounting Principles and the internal control of the Company as at the year end of 2021 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, and the financial statements for 2021 prepared under International Accounting Standards were audited by Deloitte Touche Tohmatsu. The total audit fees of the Group amounted to approximately RMB29.36 million, among which the audit fees for internal control was approximately RMB1.49 million. The Company paid the total non-audit fees of approximately RMB22.51 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for 2021. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu confirmed that the provision of such non-audit services would not compromise their audit independence.

6.22 Explanation of Changes in Accounting Policies and Accounting Estimates

During the reporting period, there was no change in the accounting policy of the Company.

In order to increase its resilience and guard itself against losses, on 30 June 2021, the Group conducted a comprehensive review on the measurement system of provision for expected credit loss of financial instruments, and further optimised the measurement scheme in the principle of prudence and robustness. The changes in accounting estimates are applied prospectively for future periods, and therefore it is not necessary to adjust the financial reports that have already been disclosed retrospectively. The changes in accounting estimates are expected to have no significant impact on the net profit, total assets and net assets of the Group. For more details on the changes in accounting estimates of the Company during the reporting period, please refer to the relevant announcement published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company, respectively and Note 5 "Significant accounting estimates and judgments, changes in accounting estimates" to the financial report.

6.23 Review of Annual Results

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, both being the external auditors of the Company, have audited the financial statements of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards, respectively, and each has issued an unqualified audit report. The Audit Committee under the Board of Directors of the Company has reviewed the Company's annual report for 2021.

6.24 Annual General Meeting

For the convening of its 2021 Annual General Meeting, the Company will make further announcement.

6.25 Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the reporting period.

6.26 Permitted Indemnity Provision

The Company has maintained appropriate insurance coverage for the liabilities of the Directors, Supervisors and senior management in respect of legal actions against its Directors, Supervisors and senior management arising out of corporate activities.

6.27 Publication of Annual Report

The Company prepared its annual report in both English and Chinese versions in accordance with the International Accounting Standards and the Hong Kong Listing Rules, which are available on the websites of Hong Kong Stock Exchange and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared its annual report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for annual reports, which is available on the websites of Shanghai Stock Exchange and the Company.

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Changes in Shares and Information on Shareholders

7.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2020		Changes in the No. of shares during the reporting period (share)	31 December 2021	
		No. of shares (share)	Percentage (%)		No. of shares (share)	Percentage (%)
1.	Shares subject to trading moratorium	–	–	–	–	–
2.	Shares not subject to trading moratorium	25,219,845,601	100.00	–	25,219,845,601	100.00
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	20,628,944,429	81.80
	(2) Foreign shares listed domestically	–	–	–	–	–
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	4,590,901,172	18.20
	(4) Others	–	–	–	–	–
3.	Total shares	25,219,845,601	100.00	–	25,219,845,601	100.00

As at the end of the reporting period, the Company had a total of 521,896 shareholders, including 491,920 holders of A Shares and 29,976 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading moratorium.

As at the end of the previous month prior to the disclosure date of this report (i.e. 28 February 2022), the Company had a total of 448,081 shareholders, including 418,236 holders of A Shares and 29,845 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading moratorium.

Based on the publicly available information and to the knowledge of the Directors, as at the end of the reporting period, the Company had maintained the public float in compliance with the requirement of the Hong Kong Listing Rules.

7.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Moratorium

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares subject to trading moratorium (share)	Shares Pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,552,406,315	18.05	H Shares not subject to trading moratorium	1,958,918	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading moratorium	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading moratorium	–	–	–
4	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,517,455,779	6.02	A Shares not subject to trading moratorium	443,810,867	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading moratorium	–	–	–
6	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading moratorium	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading moratorium	–127,957,634	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading moratorium	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	815,030,635	3.23	A Shares not subject to trading moratorium	–221,101,800	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading moratorium	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.

(2) As at the end of the reporting period, of the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are all subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(3) The above holders of A Shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

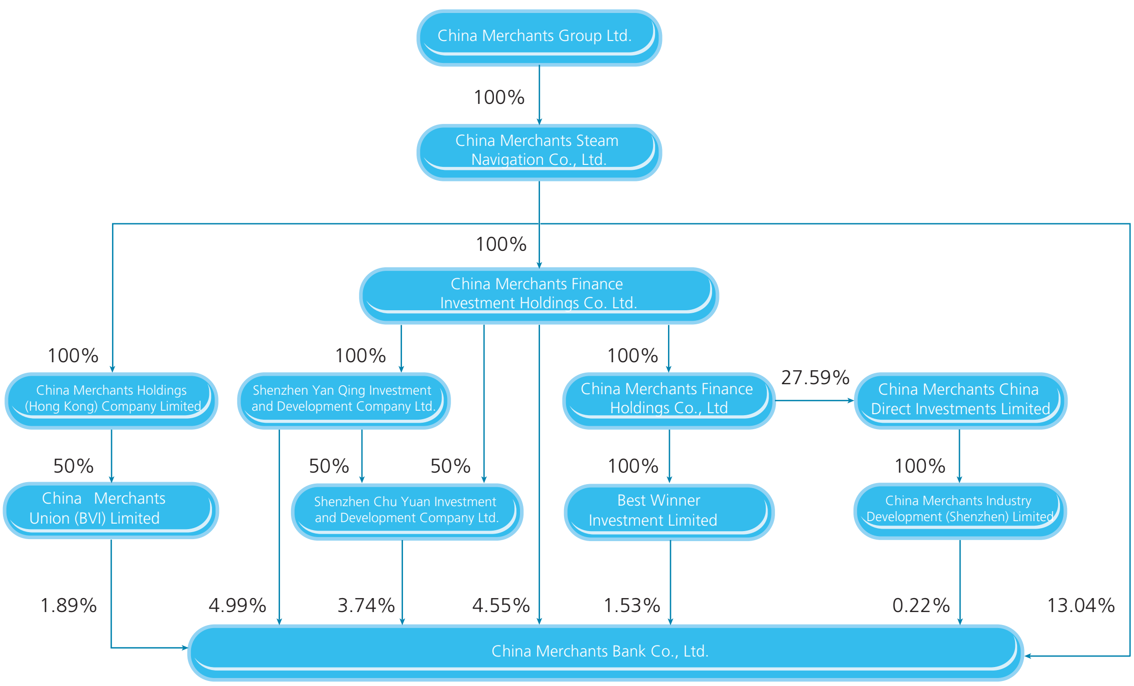
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest Shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Finance Investment Holdings Co. Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% shares in the Company. There was no pledge of the shares of the Company. Specifically, China Merchants Steam Navigation Co., Ltd. directly held 13.04% shares in the Company, and is the largest shareholder of the Company with a registered capital of RMB17 billion, and its legal representative is Miao Jianmin. It mainly engages in passenger and cargo shipping businesses; dockyard, warehouse and vehicle transportation; investment and management of tugboat and barge transportation business; repair, construction and trading of ships and offshore oil drilling equipment; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency; construction of water and land-based construction projects; and businesses such as investment and management of finance, insurance, trust, securities and futures industries.

As at the end of the reporting period, China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a state-owned enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):



7.3.2 Information on other shareholders holding more than 5% shares of the Company

As at the end of the reporting period, China COSCO Shipping Corporation Limited indirectly held an aggregate of 9.97% shares in the Company through its subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou Haining Maritime Technology Consulting Co., Ltd. (廣州海寧海務技術諮詢有限公司), COSCO Shipping (Shanghai) Co., Ltd. (中遠海運(上海)有限公司), COSCO Shipping Investment Holdings Co., Limited (中遠海運投資控股有限公司) and Guangzhou Tri-Dynas Oil & Shipping Co., Ltd. (廣州市三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983, with a registered capital of RMB16.191 billion. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO Shipping Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO Shipping Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; ship leasing; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); engaged in technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

7.3.3 Other substantial shareholders under the regulatory calibre

1. As of the end of the reporting period, Dajia Life Insurance Co., Ltd. held 3.23% shares in the Company, and is a shareholder which has appointed a Director in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with registered capital of RMB20.36 billion, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd..

2. As at the end of the reporting period, China Communications Construction Group (Limited) through its subsidiaries, namely China Communications Construction Company Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbor Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbor Consultants Co., Ltd. indirectly held an aggregate of 1.68% shares in the Company, and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. China Communications Construction Group (Limited) was established on 8 December 2005, with a registered capital of RMB7.274 billion, and its legal representative is Wang Tongzhou. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai City.

4. As at the end of the reporting period, Hebei Port Group Co., Ltd. held 1.17% shares in the Company and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. Hebei Port Group Co., Ltd. was established on 28 August 2002, with a registered capital of RMB8.0 billion. Its legal representative is Cao Ziyu and its de facto controller is the State-owned Assets Supervision and Administration Commission of Hebei Province.

7.3.4 Substantial shareholders' interests and short positions in the Company under Hong Kong laws and regulations

As at 31 December 2021, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding) as follows:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Other	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Finance Investment Holdings Co., Ltd.	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Other	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
CMF Holdings Limited	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349			
		Long	Interest of controlled corporation	944,013,171			
				2,202,555,520	1	10.68	8.73

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	82,232,321			
		Long	Investment manager	168,137,158			
		Long	Person having a security interest in shares	719,370			
		Long	Trustee	28,130			
		Long	Approved lending agent	115,110,900			
				366,227,879	4	7.97	1.45
		Short	Interest of controlled corporation	75,445,018	4	1.64	0.30
Citigroup Inc.	H	Long	Interest of controlled corporation	29,160,488			
		Long	Approved lending agent	318,132,497			
				347,292,985	5	7.56	1.38
		Short	Interest of controlled corporation	13,042,714	5	0.28	0.05
UBS Group AG	H	Long	Interest of controlled corporation	271,405,001	6	5.91	1.08
BlackRock, Inc.	H	Long	Interest of controlled corporation	232,488,325	7	5.06	0.92
		Short	Interest of controlled corporation	205,000	7	0.00	0.00

Notes：

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 7.3.1 "Information on the Company's largest shareholder".

(2) New China Asset Management Co., Ltd. is the trustee of all the A shares in the Company held by Hexie Health Insurance Co., Ltd. New China Asset Management Co., Ltd. was deemed to hold interests in all the A shares in the Company held by Hexie Health Insurance Co., Ltd.

(3) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of its wholly owned subsidiary of Compass Investment Company Limited:

(3.1) China Merchants Union (BVI) Limited held 477,903,500 H shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of holding the 50% interest in China Merchants Union (BVI) Limited.

(3.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H shares in the Company which are deemed to be held by Verise Holdings Company Limited.

(3.3) Compass Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company which are deemed to be held by CNIC Corporation Limited by virtue of holding the 98.9% interest in CNIC Corporation Limited.

The 477,903,500 H shares referred to in (3) and (3.1) to (3.3) above represented the same shares.

(4) JPMorgan Chase & Co. was deemed to hold a total of 366,227,879 H shares (long position) and 75,445,018 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 115,110,900 H shares. Besides, 62,000,000 H shares (long position) and 7,777,481 H shares (short position) were held through derivatives as follows:

2,674,500 H shares (long position) and 2,935,000 H shares (short position)	– through physically settled listed derivatives
79,500 H shares (long position) and 11,000 H shares (short position)	– through cash settled listed derivatives
4,268,525 H shares (short position)	– through physically settled unlisted derivatives
59,246,000 H shares (long position) and 562,956 H shares (short position)	– through cash settled unlisted derivatives

(5) Citigroup Inc. was deemed to hold a total of 347,292,985 H shares (long position) and 13,042,714 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of Citigroup Inc. in the Company included a lending pool of 318,132,497 H shares. Besides, 6,351,692 H shares (long position) and 5,955,858 H shares (short position) were held through derivatives as follows:

532,830 H shares (long position) and 434,000 H shares (short position)	– through physically settled listed derivatives
56,520 H shares (long position) and 4,084,674 H shares (short position)	– through physically settled unlisted derivatives
5,762,342 H shares (long position) and 1,437,184 H shares (short position)	– through cash settled unlisted derivatives

(6) UBS Group AG was deemed to hold a total of 271,405,001 H shares (long position) in the Company by virtue of its control over a number of companies. The equity interests of UBS Group AG in the Company included 10,756,859 H shares (long position) which were held through derivatives as follows:

1,000,635 H shares (long position)	– through physically settled listed derivatives
9,261,436 H shares (long position)	– through cash settled unlisted derivatives
445,091 H shares (long position)	– through physically settled unlisted derivatives
49,697 H shares (long position)	– through cash settled listed derivatives

(7) BlackRock,Inc. was deemed to hold a total of 232,488,325 H shares (long position) and 205,000 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock,Inc. in the Company included 472,500 H shares (long position) and 205,000 H shares (short position) which were held through derivatives as follows:

472,500 H shares (long position) and 205,000 H shares (short position)	– through cash settled unlisted derivatives

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) who has any interests or short positions in the shares of the Company as at 31 December 2021 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

7.4 Issuance and Listing of Securities

During the reporting period, the Company did not issue any new ordinary shares. The Company did not have any internal staff shares. Except for the disclosure related to "Preference Shares" in this chapter, no equity-linked agreements of the Company were entered into during the reporting period or subsisted at the end of the reporting period .

For issuance of bonds of the Company and its subsidiaries, please refer to Note 43 to the financial statements.

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 50,000,000 non-cumulative perpetual offshore preference shares on 25 October 2017. The issuance price is USD20 each and the coupon dividend rate per annum is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). The offshore preference shares of the issuance were listed on Hong Kong Stock Exchange on 26 October 2017 (abbreviated name of shares: "CMB 17USDPREF"; stock code: 04614; number of listed shares: 50,000,000). The total proceeds from the issuance of the offshore preference shares amounted to USD1.0 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares: "Zhao Yin You 1 (招銀優1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion. The net proceeds after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

For details, please refer to the relevant announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, respectively.

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 14 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 13 holders of domestic preference shares.

As at the end of the previous month prior to the disclosure date of this report (i.e. 28 February 2022), the Company had a total of 15 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 14 holders of domestic preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of offshore preference shares (or their nominees) were as follows:

No.	Name of shareholders	Type of shareholders	Type of sharers	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading moratorium (share)	Shares Pledged, marked or frozen (share)
1	The Bank of New York Depository (Nominees) Limited	Overseas legal person	Offshore preference share	50,000,000	100	–	–	Unknown

Notes:

(1) The shareholdings of holders of preference shares are calculated based on the information listed in the register of holders of preference shares maintained by the Company.

(2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the placees.

(3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top ten holders of ordinary shares.

(4) "Percentage of shareholdings" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

No.	Name of shareholders	Type of shareholders	Type of Shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading moratorium (share)	Shares Pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd	State-owned legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	CCB Capital – "Qianyuan – Private" (乾元 – 私享), an open private banking RMB wealth management product (daily calculated) of China Construction Bank – Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference share	40,000,000	14.55	40,000,000	–	–
3	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	25,000,000	9.09	–	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	6,000,000	–	–
9	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	8,000,000	2.91	3,000,000	–	–
10	CITIC Securities Company Limited	State-owned legal person	Domestic preference share	5,000,000	1.82	5,000,000	–	–
	Changjiang Pension Insurance – Bank of China – China Pacific Life Insurance Co., Ltd.	Others	Domestic preference share	5,000,000	1.82	–	–	–
	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference share	5,000,000	1.82	–	–	–

Notes:

(1) The shareholdings of holders of domestic preference share are presented under separate account according to the register of members of preference share of the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company, China National Tobacco (Sichuan Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation; "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management" and "Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management" are all managed by Everbright Securities Asset Management Co., Ltd. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

7.5.3 Dividend distribution of preference shares

Dividend distribution of offshore preference shares

In accordance with the relevant requirements under the "Resolution Regarding the Plan for the Non-public Issuance of Offshore Preference Shares of the Company", which was considered and approved at the 2016 annual general meeting, the first class meeting of the holders of A Shares for 2017 and the first class meeting of the holders of H Shares for 2017, the Company fully paid the dividends for offshore preference shares on 25 October 2021, which was in compliance with the relevant distribution conditions and distribution procedures.

The dividends for offshore preference shares of the Company are paid once a year in cash. The offshore preference shares adopt non-cumulative dividend payment method. After the dividends are distributed to the holders of offshore preference shares in accordance with the agreed dividend rate, these shareholders will not participate in the remaining profit distribution with the ordinary shareholders. Pursuant to the relevant terms of the offshore preference shares, the dividend rate per annum of the offshore preference shares is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). According to relevant laws and regulations, the Company shall withhold an income tax at a rate of 10% when distributing the dividends for the offshore preference shares to the offshore non-resident enterprises. According to the terms and conditions of the offshore preference shares, the Company is responsible to pay relevant income tax. Total amount of the proceeds from the issuance of the Company's offshore preference shares was USD1 billion, the total amount of dividends for the offshore preference shares is USD48,888,888.89, comprising of USD44,000,000.00 which was actually paid to the holders of the offshore preference shares, and the withholding tax amounted to USD4,888,888.89.

Dividend distribution of domestic preference shares

In accordance with the relevant requirements under the "Resolution Regarding the Plan for the Non-public Issuance of Domestic Preference Shares of the Company", which was considered and approved at the 2016 annual general meeting, the first class meeting of the holders of A Shares for 2017 and the first class meeting of the holders of H Shares for 2017, the Company fully paid the dividends for domestic preference shares on 20 December 2021, which was in compliance with the relevant distribution conditions and distribution procedures.

The dividends for domestic preference shares of the Company are paid once a year in cash. The domestic preference shares adopt non-cumulative dividend payment method. After the dividends are distributed to the holders of domestic preference shares in accordance with the agreed dividend rate, these shareholders will not participate in the remaining profit distribution with the ordinary shareholders. Pursuant to the terms of dividends payment for domestic preference shares, based on the dividend rate of 4.81% for domestic preference shares, the cash dividends per preference share paid were RMB4.81 (including tax), and based on 275 million of domestic preference shares in issue, the total amount of the dividends paid was RMB1,322.75 million (including tax).

For the details of dividend distribution for domestic and offshore preference shares, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company on 10 December 2021 and 13 October 2021, respectively.

7.5.4 Repurchase or conversion of preference shares

During the reporting period, there had been no repurchase and conversion of preference shares.

7.5.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's domestic and offshore preference shares in issue had not been restored.

7.5.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgments over its preference shares then issued and outstanding in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Accounting Standard 32 – Financial Instruments: Presentation" promulgated by International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

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Financial Statements

Independent Auditor's Report

DTTHK(A)(22)I00027

Deloitte. 德勤

To the shareholders of China Merchants Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 168 to 319, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

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Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
We identified expected credit loss ("ECL") allowance of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments as a key audit matter due to the materiality of these items' balance and significant management judgement and estimates involved in deriving the ECL estimates. As at 31 December 2021, as set out in Note 22(a), the Group reported loans and advances to customers at amortised cost of RMB5,085,600 million and expected credit loss allowances of RMB245,494 million; in Note 23(b), the Group reported debt investments at amortised cost of RMB1,225,727 million and expected credit loss allowances of RMB39,886 million; in note 42, the Group reported the expected credit loss allowances of financial guarantees and loan commitments of RMB12,790 million. Key judgements and estimates in respect of the measurement of ECLs include: the significant management judgement and estimates of model design and its application; the identification of a significant increase in credit risk (SICR); the identification of credit impairment events; the determination of inputs used in the ECL model, as well as the determination of the forward-looking information to incorporate.	Our audit procedures in relation to the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments included the following: We understood management's process and tested the design and operating effectiveness of key controls across the processes relevant to the ECL estimation of the Group. These controls included the development, validation and review of the ECL model; the controls over the model data input, including manual input controls and automated transmission controls; the automated controls over the ECL model calculation process; the controls over the identification of SICR indicators and credit impairment events. We assessed whether the ECL model applied by the Group has covered all the exposures that should be taken into consideration. In respect of different portfolios of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments, we involved our internal modelling specialist to assist us in assessing the appropriateness of the Group's methodology of ECL modelling. We reviewed relevant documents and evaluated the appropriateness and application of the ECL model.

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Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
Principal accounting policies and significant accounting estimates and judgement applied in determining the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments are set out in Notes 4(5) and 5(4) to the consolidated financial statements.	With the support of our internal modelling specialist, we assessed the key definitions and application of parameters and assumptions in the ECL model. This included assessing stage determination, probability of default, loss given default, exposure at default, forward-looking information and COVID-19 impact. We selected samples to check whether the calculation in the ECL model is consistent with the methodology. We selected samples to conduct credit reviews in order to assess the appropriateness of the significant judgements made by the management regarding the occurrence of SICR and credit impairment events, and whether the identification of such events are proper and timely. In addition, we selected samples and tested their data input into the ECL model to evaluate the completeness and accuracy of the data input. For loans and advances at amortised cost and debt investments at amortised cost at stage 3, we selected samples to test the reasonableness of future cash flows from the borrowers estimated by the Group, including the expected recoverable amount of collateral, to assess whether there were material misstatements in credit loss allowances.

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Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
We identified consolidation of structured entities as a key audit matter since significant judgement is applied by management to determine whether or not the Group has control over certain structured entities. The structured entities of the Group include wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and funds, as disclosed in Note 64 to the consolidated financial statements. As described in Note 4(1), the consolidation of structured entities is determined based on control. Control is achieved when the investor has power over the investee, the investor is exposed, or has rights, to variable returns from its involvement with the investee; and the investor has the ability to use its power to affect its returns. When performing the assessment on whether the Group has control over the structured entities, the Group considers several factors including, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration for managing the structured entities and the Group's exposure to variability of returns from interests that it holds in the structured entities.	Our audit procedures in relation to consolidation of structured entities included the following: We understood and tested the design and operating effectiveness of key controls over the management process in determining the consolidation scope for interests in structured entities as well as understood the purpose for setting up the structured entities. We reviewed the relevant contract terms, on a sample basis, and assessed the power of the Group over the structured entities, the rights of the Group to variable returns of the structured entities and the ability of the Group to use its power to affect its return, and evaluated management judgement on whether the Group has control over the structured entities and the conclusion about whether or not the consolidation criteria are met.

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Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Bank.
- Conclude on the appropriateness of the directors of the Bank's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2022

Consolidated Statement of Profit or Loss

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

	Notes	2021	2020
Interest income	6	**327,056**	307,425
Interest expense	7	**(123,137)**	(122,394)
Net interest income		**203,919**	185,031
Fee and commission income	8	**102,318**	86,684
Fee and commission expense		**(7,871)**	(7,198)
Net fee and commission income		**94,447**	79,486
Other net income	9	**29,011**	22,881
– Disposal of financial instruments at amortised cost		**(657)**	(273)
Operating income		**327,377**	287,398
Operating expenses	10	**(116,879)**	(102,814)
Operating profit before impairment losses and taxation		**210,498**	184,584
Expected credit losses	14	**(65,962)**	(64,871)
Impairment losses on other assets		**(393)**	(154)
Share of profits of joint ventures	25	**2,877**	2,392
Share of profits of associates	26	**1,153**	489
Profit before taxation		**148,173**	122,440
Income tax	15	**(27,339)**	(24,481)
Profit for the year		**120,834**	97,959
Attributable to:			
Equity holders of the Bank		**119,922**	97,342
Non-controlling interests		**912**	617
Earnings per share			
Basic and diluted (RMB Yuan)	17	**4.61**	3.79

The 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

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2021	2020
Profit for the year		**120,834**	97,959
Other comprehensive income for the year after tax			
Items that may be reclassified subsequently to profit or loss			
Share of other comprehensive income from equity-accounted investees		**133**	463
Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**4,156**	(2,729)
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**3,036**	1,054
Net movement in cash flow hedge reserve		**105**	(27)
Exchange difference on translation of financial statements of foreign operations		**(1,574)**	(2,483)
Items that will not be reclassified to profit or loss			
Net fair value gain on equity instruments designated at fair value through other comprehensive income		**1,318**	481
Remeasurement of defined benefit scheme		**15**	43
Other comprehensive income for the year, net of tax	16	**7,189**	(3,198)
Attributable to:			
Equity holders of the Bank		**7,298**	(2,967)
Non-controlling interests		**(109)**	(231)
Total comprehensive income for the year		**128,023**	94,761
Attributable to:			
Equity holders of the Bank		**127,220**	94,375
Non-controlling interests		**803**	386

The notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2021	2020
Assets			
Cash		**13,310**	13,088
Precious metals		**4,639**	7,970
Balances with central banks	18	**553,898**	525,358
Balances with banks and other financial institutions	19	**80,350**	103,335
Placements with banks and other financial institutions	20	**194,421**	226,919
Amounts held under resale agreements	21	**524,601**	286,262
Loans and advances to customers	22	**5,335,391**	4,804,361
Financial investments at fair value through profit or loss	23(a)	**348,123**	495,723
Derivative financial assets	60(f)	**23,390**	47,272
Debt investments at amortised cost	23(b)	**1,185,841**	1,049,280
Debt investments at fair value through other comprehensive income	23(c)	**636,038**	516,553
Equity investments designated at fair value through other comprehensive income	23(d)	**6,995**	7,139
Interests in joint ventures	25	**14,779**	12,403
Interests in associates	26	**8,875**	2,519
Investment properties	27	**1,372**	1,623
Property and equipment	28	**80,415**	69,470
Right-of-use assets	29(a)	**18,403**	19,104
Intangible assets	30	**4,066**	4,763
Goodwill	31	**9,954**	9,954
Deferred tax assets	32	**81,639**	72,893
Other assets	33	**122,521**	85,459
Total assets		**9,249,021**	8,361,448

The notes form part of these consolidated financial statements.

	Notes	2021	2020
Liabilities			
Borrowing from central banks		**159,987**	331,622
Deposits from banks and other financial institutions	34	**753,018**	723,402
Placements from banks and other financial institutions	35	**170,650**	143,517
Financial liabilities at fair value through profit or loss	36	**63,761**	60,351
Derivative financial liabilities	60(f)	**27,282**	50,061
Amounts sold under repurchase agreements	37	**157,660**	142,927
Deposits from customers	38	**6,385,154**	5,664,135
Salaries and welfare payable	39(a)	**19,761**	15,462
Tax payable	40	**22,491**	18,648
Contract liabilities	41	**7,536**	6,829
Lease liabilities	29(b)	**13,812**	14,242
Provisions	42	**14,660**	8,229
Debt securities issued	43	**446,645**	346,141
Deferred tax liabilities	32	**1,353**	1,073
Other liabilities	44	**139,570**	104,455
Total liabilities		**8,383,340**	7,631,094
Equity			
Share capital	45	**25,220**	25,220
Other equity instruments	46	**127,043**	84,054
– Preference shares	46(a)	**34,065**	34,065
– Perpetual bonds	46(b)	**92,978**	49,989
Capital reserve	47	**67,523**	67,523
Investment revaluation reserve	48	**15,047**	8,207
Hedging reserve	49	**39**	(66)
Surplus reserve	50	**82,137**	71,158
General reserve	51	**115,288**	98,082
Retained earnings		**390,207**	338,664
Proposed profit appropriation	52(b)	**38,385**	31,601
Exchange reserve	53	**(2,144)**	(693)
Total equity attributable to shareholders of the Bank		**858,745**	723,750
Non-controlling interests		**6,936**	6,604
– Non-controlling interest		**3,300**	2,851
– Perpetual debt capital	62(a)	**3,636**	3,753
Total equity		**865,681**	730,354
Total equity and liabilities		**9,249,021**	8,361,448

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 18 March 2022.

Miao Jianmin
Director

Tian Huiyu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in millions of Renminbi unless otherwise stated)

		2021														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2021		25,220	34,065	49,989	67,523	8,207	(66)	71,158	98,082	338,664	31,601	(693)	723,750	2,851	3,753	730,354
Changes in equity for the year		–	–	42,989	–	6,840	105	10,979	17,206	51,543	6,784	(1,451)	134,995	449	(117)	135,327
(a) Net profit for the year		–	–	–	–	–	–	–	–	119,922	–	–	119,922	685	227	120,834
(b) Other comprehensive income for the year	16	–	–	–	–	8,644	105	–	–	–	–	(1,451)	7,298	8	(117)	7,189
Total comprehensive income for the year		–	–	–	–	8,644	105	–	–	119,922	–	(1,451)	127,220	693	110	128,023
(c) Capital contribution from equity holders		–	–	42,989	–	–	–	–	–	–	–	–	42,989	–	–	42,989
Issue of perpetual bonds	46(b)	–	–	42,989	–	–	–	–	–	–	–	–	42,989	–	–	42,989
(d) Profit appropriations		–	–	–	–	–	–	10,979	17,206	(70,183)	6,784	–	(35,214)	(244)	(227)	(35,685)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	10,979	–	(10,979)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	17,206	(17,206)	–	–	–	–	–	–
(iii) Dividends declared and paid for the year 2020		–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)	(244)	–	(31,845)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(227)	(227)
(v) Proposed dividends for the year 2021		–	–	–	–	–	–	–	–	(38,385)	38,385	–	–	–	–	–
(vi) Dividends paid for preference shares		–	–	–	–	–	–	–	–	(1,638)	–	–	(1,638)	–	–	(1,638)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(1,804)	–	–	–	1,804	–	–	–	–	–	–
At 31 December 2021		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681

The notes form part of these consolidated financial statements.

		2020														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2020		25,220	34,065	–	67,523	8,919	(39)	62,291	90,151	291,346	30,264	1,561	611,301	2,427	3,979	617,707
Changes in equity for the year		–	–	49,989	–	(712)	(27)	8,867	7,931	47,318	1,337	(2,254)	112,449	424	(226)	112,647
(a) Net profit for the year		–	–	–	–	–	–	–	–	97,342	–	–	97,342	383	234	97,959
(b) Other comprehensive income for the year	16	–	–	–	–	(686)	(27)	–	–	–	–	(2,254)	(2,967)	(5)	(226)	(3,198)
Total comprehensive income for the year		–	–	–	–	(686)	(27)	–	–	97,342	–	(2,254)	94,375	378	8	94,761
(c) Capital contribution from equity holders		–	–	49,989	–	–	–	–	–	–	–	–	49,989	218	–	50,207
(i) Non-controlling shareholders' contribution to non-wholly owned subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	218	–	218
(ii) Issue of perpetual bonds	46(b)	–	–	49,989	–	–	–	–	–	–	–	–	49,989	–	–	49,989
(d) Profit appropriations		–	–	–	–	–	–	8,867	7,931	(50,050)	1,337	–	(31,915)	(172)	(234)	(32,321)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	8,867	–	(8,867)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	7,931	(7,931)	–	–	–	–	–	–
(iii) Dividends declared and paid for the year 2019		–	–	–	–	–	–	–	–	–	(30,264)	–	(30,264)	(172)	–	(30,436)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(234)	(234)
(v) Proposed dividends for the year 2020		–	–	–	–	–	–	–	–	(31,601)	31,601	–	–	–	–	–
(vi) Dividends paid for preference shares		–	–	–	–	–	–	–	–	(1,651)	–	–	(1,651)	–	–	(1,651)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(26)	–	–	–	26	–	–	–	–	–	–
At 31 December 2020		25,220	34,065	49,989	67,523	8,207	(66)	71,158	98,082	338,664	31,601	(693)	723,750	2,851	3,753	730,354

The notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

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

	2021	2020
Operating activities		
Profit before taxation	**148,173**	122,440
Adjustments for:		
– Impairment losses on loans and advances	**37,020**	46,882
– Impairment losses on investments and other	**29,335**	18,143
– Unwinding of discount on the allowances of loans and advances	**(247)**	(186)
– Depreciation of property and equipment and investment properties	**8,857**	7,715
– Depreciation of right-of-use assets	**4,259**	4,416
– Amortisation of other assets	**1,389**	1,364
– Net gains on debt securities and equity investments	**(15,388)**	(7,208)
– Interest income on investments	**(56,059)**	(51,843)
– Interest expense on issued debt securities	**12,532**	14,652
– Share of profits of associates	**(1,153)**	(489)
– Share of profits of joint ventures	**(2,877)**	(2,392)
– Net gains on disposal of properties and equipment and other assets	**(113)**	(44)
– Interest expense on lease liabilities	**555**	596
Changes in:		
Balances with central banks	**12,874**	(23,480)
Loans and advances to customers	**(564,924)**	(649,434)
Other assets	**(37,395)**	(45,118)
Deposits from customers	**718,742**	783,914
Amounts due to banks and other financial institutions	**73,321**	223,568
Amounts due from banks and other financial institutions with original maturity over 3 months	**2,160**	(8,766)
Borrowing from central banks	**(170,100)**	(26,909)
Other liabilities	**16,596**	45,151
Cash generated from operating activities before income tax payment	**217,557**	452,972
Income tax paid	**(35,509)**	(31,644)
Net cash generated from operating activities	**182,048**	421,328
Investing activities		
Payment for the purchases of investments	**(1,225,385)**	(1,385,212)
Proceeds from disposals and redemptions of investments	**1,160,739**	1,104,070
Investment income received	**71,197**	58,038
Payment for the acquisition of subsidiaries, associates or joint ventures	**(5,342)**	(1,460)
Payment for the purchases of property and equipment and other assets	**(24,160)**	(19,125)
Proceeds from the disposals of property and equipment and other assets	**2,399**	2,354
Proceeds from the disposals of subsidiaries, associates or joint ventures	**855**	582
Net cash used in investing activities	**(19,697)**	(240,753)

The notes form part of these consolidated financial statements.

	Note	2021	2020
Financing activities			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	319,707	213,011
Proceeds from the issuance of certificates of deposit	55(b)	14,692	22,592
Proceeds from the issuance of debt securities	55(b)	63,872	33,606
Proceeds from the issuance of perpetual bonds		42,989	49,989
Proceeds from non-controlling interests of subsidiaries		–	218
Proceeds from other financing activities	55(b)	6,860	14,417
Repayment of negotiable interbank certificates of deposit	55(b)	(226,012)	(413,820)
Repayment of certificates of deposit	55(b)	(21,363)	(28,992)
Repayment of debt securities	55(b)	(55,771)	(45,486)
Payment for lease liabilities	55(b)	(4,835)	(4,644)
Distribution paid on perpetual debt capital		(227)	(234)
Payment for dividends distribution		(31,845)	(30,436)
Distribution paid on preference shares		(1,638)	(1,651)
Distribution paid on perpetual bonds		(1,975)	–
Interest paid on financing activities		(11,398)	(19,490)
Payment for other financing activities	55(b)	(3,697)	(867)
Net cash generated from/(used in) financing activities		89,359	(211,787)
Net increase/(decrease) in cash and cash equivalents		251,710	(31,212)
Cash and cash equivalents as at 1 January		552,790	589,675
Effect of foreign exchange rate changes		(2,746)	(5,673)
Cash and cash equivalents as at 31 December	55(a)	801,754	552,790
Cash flows from operating activities include:			
Interest received		269,081	255,854
Interest paid		111,177	100,925

The notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Expressed in millions of Renminbi unless otherwise stated)

1. Organisation and principal activities

(1) Organisation

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

As at 31 December 2021, apart from the Head Office, the Bank had 51 branches in Mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has three representative offices in Beijing, New York and Taipei.

(2) Principal activities

The principal activities of the Bank and its subsidiaries (the "Group") are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of measurement

These financial statements are presented in Renminbi ("RMB") and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(16).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes 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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

2. Basis of preparation of consolidated financial statements *(continued)*

(2) Basis of measurement *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

3. Application of new and amendments to IFRSs

Amendments to IFRSs effective in the current year applied by the Group

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to IFRS 16	COVID-19-Related Rent Concessions

Impacts and accounting policies on application of 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 to which the amortised cost measurement applies 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.

3. Application of new and amendments to IFRSs *(Continued)*

Amendments to IFRSs effective in the current year applied by the Group *(Continued)*

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" *(Continued)*

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

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 (i.e. the basis immediately preceding the change).

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Transition and summary of effects

The Group has financial instruments linked to London Interbank Offered Rate (LIBOR) that are subject to interbank offered rates (IBOR) reform. These financial instruments mainly include loans and advances to customers and debt investments. The Group has gradually changed the interest rate benchmark for these financial instruments to other benchmark rates such as Sterling Overnight Index Average (SONIA) or Secured Overnight Financing Rate (SOFR) in 2021. In order to reflect the changes that are required by the interest rate benchmark reform, the Group has recalculated the effective interest rate of the financial instruments whose change of future cash flow is necessary as a direct consequence of interest rate benchmark reform, and used these effective interest rates as the basis of subsequent measurements. Such changes in effective interest rate have no significant impact on the consolidated financial statements.

Impacts and accounting policies on application of Amendment to IFRS 16 "COVID-19-Related Rent Concessions"

The amendment provides a practical expedient to COVID-19-related rent concessions if certain conditions are met. This amendment has no significant impact on the consolidated financial statements.

3. Application of new and amendments to IFRSs *(continued)*

Standards and amendments that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined

The new and amendments to IFRSs mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

4. Principal accounting policies

(1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net 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 equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. Principal accounting policies *(continued)*

(1) Business combination *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interests in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed as at acquisition date.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

– whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;

– whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(11)).

When the Group's share of losses exceeds its interest in the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. For these purposes, the Group's interest in the joint ventures is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the joint ventures.

4. Principal accounting policies *(continued)*

(2) Joint ventures *(continued)*

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(3) Associates

Associate is an entity in which the Group has significant influence, but not control, or joint control, including participation in the financial and operating policy decisions.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

When judging whether there is any significant influence, the Group usually considers the following cases:

– representation on the Board of Directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(11)).

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For these purposes, the Group's interest in the associates is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

4. Principal accounting policies *(continued)*

(4) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested annually for impairment (see Note 4(11)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(5) Financial instruments

Initial recognition

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

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit loss.

Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment losses are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other net income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

Impairment under ECL model

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the above financial instruments that apply the ECL model, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group makes provision for credit losses according to 12-month ECL; in the event of a significant increase in credit risk, the Group makes provision for the credit losses in accordance with the ECL for the entire duration.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

Credit-impaired financial assets

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

Other financial liabilities

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets and financial liabilities, and financial guarantee contract, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in the current profits and losses.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedge. The Group documents the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge, at the inception of a hedging relationship. The Group also requires documentation of the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items attributable to the hedged risks.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Cash flow hedge

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting *(continued)*

Hedge effectiveness testing

The Group has elected to adopt the general hedge accounting in IFRS 9 *Financial Instruments*. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Specific items

Cash equivalents

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

Balances and placements with banks and other financial institutions

Banks refer to those approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies and leasing companies which are registered with and under the supervision of the China Banking and Insurance Regulatory Commission (the "CBIRC") and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Financial investments

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Loans and advances to customers

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Derivative financial instruments

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own asset and liability management purposes. The Group enters into derivative contracts with other banks to hedge against risks arising from derivative transactions undertaken for customers.

Except for those used in cash flow hedge, derivative financial instruments are stated at fair value, with gains and losses arising recognised in the consolidated statement of profit or loss. For those used in cash flow hedge, the gains and losses arising from the effective hedging portion are recognised in other comprehensive income.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Equity instruments *(continued)*

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals 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.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares 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.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

Derecognition of financial instruments

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the 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 has entered into a pass-through arrangement, 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.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. Principal accounting policies *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments *(continued)*

(b) Securitisation

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

(c) Sales of assets on condition of repurchase

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 (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(d) Financial liabilities

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Principal accounting policies *(continued)*

(6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. These also include land held under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	3 years
Leasehold improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Motor vehicles and other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure is recognised in the consolidated statement of profit or loss as an expense as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

(7) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets other than equity instrument are reported in “other assets”.

Repossessed assets of equity instruments are detailed in Note 4(5).

4. Principal accounting policies *(continued)*

(8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(11)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

Software and Other	Core deposit
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

(9) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

(a) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Short-term leases and leases of low-value assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Right-of-use assets

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost includes:

- the amount of the initial measurement lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, 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, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

4. Principal accounting policies *(continued)*

(9) Leases *(continued)*

As a lessee *(continued)*

(c) Right-of-use assets *(continued)*

After the commencement date, the right-of-use assets are measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(11).

(d) Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

(e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

4. Principal accounting policies *(continued)*

(9) Leases *(continued)*

As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

(10) Insurance contracts

Insurance contracts classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk, relative to an insured event or occurrence. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

Insurance income recognition

Premiums from long-term life insurance contracts are recognised as revenue when due from policy holders. Premiums related to short-term non-life insurance contracts are recognised when received at the inception of the policy, as unearned insurance premiums in liabilities, and are amortised on a straight-line basis into the consolidated statement of profit or loss over the term of the policy. When the Group has transferred insurance risk through reinsurance contracts, the Group calculates the amount of premium ceded and the reinsurers' share of expenses and recognises them through the consolidated statement of profit or loss in accordance with the terms of the reinsurance contracts.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

The Group has considered the impact of time value in the liability calculation for long-term life insurance. The Group performs liability adequacy tests based on information currently available as at the reporting date. Additional insurance contract liabilities should be recorded if any deficiency exists.

4. Principal accounting policies *(continued)*

(11) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset or a cash-generating unit is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(12) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

4. Principal accounting policies *(continued)*

(13) Financial guarantee issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is confirmed in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(14) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.

Premium income

Premium income represents gross insurance premium written less reinsurance ceded, as adjusted for unearned premium. Gross premiums written are recognised at date of risk inception.

4. Principal accounting policies *(continued)*

(14) Income recognition *(continued)*

Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant 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 Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

4. Principal accounting policies *(continued)*

(14) Income recognition *(continued)*

Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(15) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Principal accounting policies *(continued)*

(15) Taxation *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(16) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to profit or loss.

4. Principal accounting policies *(continued)*

(17) Employee benefits

Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment

The Group offers H share appreciation rights to its employee, namely H Share Appreciation Rights Scheme for the Senior Management ("the Scheme"), which is settled in cash. Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the price of the share. The Group recognises the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at the end of each reporting period within the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting period end and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the H share appreciation rights is using Black-Scholes model, taking into account the terms and condition upon which the H share appreciation rights were granted.

4. Principal accounting policies *(continued)*

(18) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence (except that the Group and the party are subject to common significant influence of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(19) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

(20) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

(21) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

(22) General reserve

According to the relevant regulations of the Ministry of Finance, in addition to the impairment allowances, the Bank maintains a general reserve according to a certain proportion of the balance of risk assets to make up for unidentified potential losses. The general reserve is treated as profit distribution and is an integral part of equity. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

5. Significant accounting estimates and judgements, changes in accounting estimates

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(1) Control over structured entity

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

(2) Classification of financial assets

Business model assessment: Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

5. Significant accounting estimates and judgements, changes in accounting estimates *(continued)*

(4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 60(a)(ii) for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii)for more details on ECL.

- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.

- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.

- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

- Due to greater financial uncertainty triggered by the COVID-19 pandemic, there is higher risk that a prolonged pandemic could lead to increased credit default rates. The Group considered the impact of COVID-19 in the ECL model which are disclosed in Note 60(a)(iv).

In 2021, in order to increase the Group's resilience and guard itself against losses, the Group refined and optimised the measurement system of loss allowance for financial instruments in the principle of prudence and robustness. The Group made a change in ECL accounting estimate as of 30 June 2021, and such change in accounting estimate was mainly about enhancing the risk differentiation of the model in order to optimise the fineness and foresight of loss allowance for financial instruments. Among which, when determining whether there is any significant increase in credit risk, the application of early warning signal is further deepened; when considering forward-looking information, the macroeconomic index database is expanded; in terms of the classification of risk characteristics, the reference index of grouping is optimised. The change in accounting estimate resulted in an increase in the Group's loss allowance by RMB692 million as at 31 December 2021, and a decrease in the Group's profit before taxation by RMB692 million in 2021 compared with those under the previous ECL estimates. In 2021, the expected credit losses of the Group were RMB65,962 million, representing a year-on-year increase of 1.68%. The change in accounting estimate has no significant impact on the net profit, total assets and net assets of the Group in current period. The change in accounting estimate is applied prospectively for future periods, and do not require to adjust the announced financial reports retrospectively. Therefore, the change will not have any impact on the consolidated financial conditions and consolidated operating results of the Group in previous periods.

5. Significant accounting estimates and judgements, changes in accounting estimates *(continued)*

(5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuer's businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

(6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to the COVID-19 pandemic and volatility in financial markets.

6. Interest income

	2021	2020
Loans and advances to customers	250,662	236,104
– Corporate loans	80,575	80,575
– Retail loans	159,124	147,704
– Discounted bills	10,963	7,825
Balances with central banks	7,792	7,475
Balances with banks and other financial institutions	902	1,695
Placements with banks and other financial institutions	5,526	5,906
Amounts held under resale agreements	6,115	4,402
Financial investments	56,059	51,843
– Debt investments at FVTOCI	15,875	14,023
– Debt investments at amortised cost	40,184	37,820
Total	327,056	307,425

Note: The Group recognised an interest income of RMB12,337 million on loans and advances to customers at fair value through other comprehensive income (2020: RMB9,175 million).

7. Interest expense

	2021	2020
Deposits from customers	84,332	83,252
Borrowing from central banks	7,635	8,413
Deposits from banks and other financial institutions	11,993	9,961
Placements from banks and other financial institutions	3,519	3,750
Amounts sold under repurchase agreements	2,571	1,770
Debt securities issued	12,532	14,652
Lease liabilities	555	596
Total	123,137	122,394

8. Fee and commission income

	2021	2020
Commissions from wealth management	35,841	27,783
Commissions from asset management	10,856	6,892
Bank cards fees	19,377	19,551
Clearing and settlement fees	13,902	12,651
Commissions from credit commitment and lending business	6,321	6,191
Commissions on custodian business	5,433	4,253
Other	10,588	9,363
Total	102,318	86,684

In 2021, the Group adjusted the disclosure of fee and commission income by regrouping the components that were previously included in "Agent service fees", "Commissions on trust and fiduciary activities" and "Other", and present them under the category of wealth management, asset management, custodian business and other. The comparative figures were restated accordingly. After the adjustments, commissions from wealth management contain agency funds income, agency insurance income, agency trust schemes income, agency wealth management income, agency securities transaction income and agency precious metal income; commissions from asset management contain income from issuance and management of various asset management products such as funds, wealth management products, asset management schemes, etc.; commissions on custodian business contain income obtained from providing basic services and value-added services of custody assets; other items contain bond and equity underwriting income, credit asset securitisation service fee income, consulting income and other intermediary business income.

9. Other net income

	2021	2020
Profit/(loss) from fair value change	92	(1,660)
– financial instruments at fair value through profit or loss	544	(2,099)
– derivatives instruments	12	48
– precious metals	(464)	391
Investment income	17,822	16,281
– financial instruments at FVTPL	14,839	13,400
– loss on disposal of financial assets at amortised cost	(657)	(273)
– gain on disposal of debt instruments at FVTOCI	3,516	2,970
– of which: gain on disposal of bills	2,434	1,660
– dividend income from equity investments designated at FVTOCI	74	175
– other	50	9
Foreign exchange gain	3,351	2,202
Other income	6,868	5,708
– rental income	6,415	5,278
– insurance income	453	430
Other	878	350
Total	29,011	22,881

10. Operating expenses

	2021	2020
Staff costs	66,028	57,040
– Salaries and bonuses	51,031	43,257
– Social insurance and corporate supplemental insurance	8,011	6,048
– Other	6,986	7,735
Tax and surcharges	2,772	2,478
Depreciation of property, equipment and investment properties	8,857	7,715
Amortisation of intangible assets	1,153	1,188
Depreciation of right-of-use assets	4,259	4,416
Short-term leases expense and leases of low-value assets expense	250	292
Charge for insurance claims	311	296
Other general and administrative expenses (note (i))	33,249	29,389
Total	116,879	102,814

Note:

(i) Auditors' remuneration amounting to RMB29 million for the year ended 31 December 2021 (2020: RMB28 million) is included in other general and administrative expenses.

11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Tian Huiyu	–	4,158	–	40	4,198
Wang Liang	–	3,302	–	40	3,342
Subtotal	–	7,460	–	80	7,540

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Fu Gangfeng	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Wang Daxiong	–	–	–	–	–
Luo Sheng	–	–	–	–	–
Subtotal	–	–	–	–	–

The non-executive directors shown above did not receive remuneration from the Bank.

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian (ii)	183	–	–	–	183
Shi Yongdong (ii)	183	–	–	–	183
Xiong Liangjun (iii)	–	3,164	–	48	3,212
Peng Bihong	–	–	–	–	–
Wu Heng	–	–	–	–	–
Guo Xikun (iv)	–	–	–	–	–
Ding Huiping	400	–	–	–	400
Han Zirong	400	–	–	–	400
Xu Zhengjun	400	–	–	–	400
Wang Wanqing	–	2,747	–	48	2,795
Cai Jin (v)	–	123	–	48	171
Subtotal	3,566	6,034	–	144	9,744

The independent non-executive directors' and supervisors' emoluments shown above were for their services and employment as directors or supervisors of the Bank.

11. Directors' and supervisors' emoluments *(continued)*

	2021				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Former executive, non-executive directors and supervisors					
Liu Jianjun (vi)	–	1,373	–	19	1,392
Leung Kam Chung, Antony (ii)	317	–	–	–	317
Zhao Jun (ii)	317	–	–	–	317
Liu Yuan (vii)	–	2,368	–	31	2,399
Wen Jianguo (viii)	–	–	–	–	–
Liu Xiaoming (ix)	–	1,979	–	48	2,027
Subtotal	634	5,720	–	98	6,452
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	19,214	–	322	23,736

Notes:

(i) The total remuneration before tax for the full-time directors, supervisors and executive officers of the Group is not yet finalised. Details of their remaining compensation will be disclosed separately when their total remuneration is confirmed.

(ii) In June 2021, according to the relevant resolutions passed at the 2020 annual general meeting of the Bank, Mr. Li Chaoxian and Mr. Shi Yongdong were elected as the Independent Non-Executive Directors of the Bank, whose qualifications as the Independent Non-Executive Directors were approved by the CBIRC in August 2021. At the same time, Mr. Leung Kam Chung, Antony and Mr. Zhao Jun ceased to be the Independent Non-Executive Directors of the Bank due to the expiry of their appointments.

(iii) In August 2021, Mr. Xiong Liangjun was elected as the Employee Supervisor of the Bank at the staff congress of the Bank. According to the resolutions passed at the 21st meeting of the 11th session of the Board of Supervisors of the Bank, Mr. Xiong Liangjun was elected as the Chairman of the Board of Supervisors of the Bank.

(iv) In June 2021, according to the relevant resolutions passed at the 2020 annual general meeting of the Bank, Mr. Guo Xikun was elected as the Shareholder Supervisor of the Bank.

(v) In December 2021, Ms. Cai Jin was elected as the Employee Supervisor of the Bank at the staff congress of the Bank.

(vi) In May 2021, Mr. Liu Jianjun ceased to be the Executive Director, Executive Vice President and Secretary of the Board of Directors of the Bank due to change of work arrangement.

(vii) In August 2021, Mr. Liu Yuan ceased to be the Chairman of Board of Supervisors and Employee Supervisor of the Bank due to change of work arrangement.

(viii) In April 2021, Mr. Wen Jianguo ceased to be the Shareholder Supervisor of the Bank due to change of work arrangement.

(ix) In December 2021, Mr. Liu Xiaoming ceased to be the Employee Supervisor of the Bank due to change of work arrangement.

(x) As of 31 December 2021, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

11. Directors' and supervisors' emoluments *(continued)*

	2020				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Tian Huiyu	–	4,158	1,766	40	5,964
Liu Jianjun	–	3,024	1,284	43	4,351
Wang Liang	–	3,024	1,284	40	4,348
Subtotal	–	10,206	4,334	123	14,663
The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin(ii)	–	–	–	–	–
Fu Gangfeng	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Wang Daxiong	–	–	–	–	–
Luo Sheng	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Leung Kam Chung, Antony	500	–	–	–	500
Zhao Jun	500	–	–	–	500
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Liu Yuan	–	3,402	1,445	43	4,890
Peng Bihong	–	–	–	–	–
Wen Jianguo	–	–	–	–	–
Wu Heng	–	–	–	–	–
Ding Huiping	400	–	–	–	400
Han Zirong	400	–	–	–	400
Xu Zhengjun	400	–	–	–	400
Wang Wanqing	–	2,742	–	43	2,785
Liu Xiaoming	–	1,996	–	43	2,039
Subtotal	4,200	8,140	1,445	129	13,914

The independent non-executive directors' and supervisors' emoluments shown above were for their services and employment as directors or supervisors of the Bank.

11. Directors' and supervisors' emoluments *(continued)*

	2020				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000	Total RMB'000
Former executive, non-executive directors and supervisors					
Li Jianhong(iii)	–	–	–	–	–
Subtotal	–	–	–	–	–
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	18,346	5,779	252	28,577

Notes:

(i) On 29 September 2021, the Board of Directors approved the discretionary bonuses of the Bank's directors, supervisors and executive officers for 2020.

(ii) In September 2020, according to the relevant resolutions passed at the 2020 first extraordinary general meeting of the Bank, Mr. Miao Jianmin was elected as the Chairman and Non-Executive Director of the Bank, whose qualifications as the Director and the Chairman were approved by the CBIRC on 24 September 2020.

(iii) In September 2020, Mr. Li Jianhong ceased to be the Chairman and Non-Executive Director of the Bank due to change of work arrangement.

(iv) As of 31 December 2020, the Group had offered 10 phases of H share appreciation rights scheme to its senior management ("the Scheme"). Details of the Scheme are set out in Note 39 (a)(iii).

During the year of 2021 and 2020, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year of 2021 and 2020, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

12. Five highest paid individuals

Of the five highest paid individuals for the year ended 31 December 2021, three (2020: four) were directors or supervisors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining two (2020: three) highest paid individuals who were neither directors nor supervisors of the Bank is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**6,048**	9,072
Discretionary bonuses	**–**	3,852
Contributions to defined contribution retirement schemes	**85**	123
Total	**6,133**	13,047

The top five highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2021	2020
HKD		
3,500,001 – 4,000,000	**2**	–
4,000,001 – 4,500,000	**–**	–
4,500,001 – 5,000,000	**–**	–
5,000,001 – 5,500,000	**–**	3

During the year ended 31 December 2021, the five highest paid individuals included five persons in total, two of them were with the same emoluments and being the fourth highest paid individuals.

During the year ended 31 December 2020, the five highest paid individuals included seven persons in total, two of them were with the same emoluments and being the third highest paid individuals, three of them were with the same emoluments and being the fourth highest paid individuals.

13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2021	2020
Aggregate amount of relevant loans made by the Group outstanding at year end	61	54
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	66	59

14. Expected credit losses

	2021	2020
Loans and advances to customers	37,020	46,882
– Loans and advances at amortised cost (Note 22(c)(i))	35,678	46,983
– Loans and advances at FVTOCI (Note 22(c)(ii))	1,342	(101)
Amounts due from banks and other financial institutions	6,110	307
Financial investments	15,848	15,367
– Debt investments at amortised cost (Note 23(b)(iii))	13,201	13,875
– Debt investments at FVTOCI (Note 23(c)(ii))	2,647	1,492
Financial guarantees and loan commitments	5,639	2,147
Other	1,345	168
Total	65,962	64,871

15. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2021	2020
Current income tax expense	38,141	31,646
– Mainland China	37,222	30,574
– Hong Kong	767	960
– Overseas	152	112
Deferred taxation	(10,802)	(7,165)
Total	27,339	24,481

(b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2021	2020
Profit before taxation	148,173	122,440
Tax at the PRC statutory income tax rate of 25% (2020: 25%)	37,043	30,610
Tax effects of the following items:		
– Effects of non-deductible expenses	1,392	914
– Effects of non-taxable income	(12,603)	(10,568)
– Effects of different applicable rates in other jurisdictions	(258)	(458)
– Transfer out of previously recognised deferred tax assets	1,716	4,055
– Other	49	(72)
Income tax expense	27,339	24,481

Note:

(i) Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

16. Other comprehensive income

(a) Income tax effects relating to each component of other comprehensive income

	2021			2020		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified to profit or loss	8,382	(2,526)	5,856	(4,379)	657	(3,722)
– Net fair value gain/(loss) on debt instruments measured at FVTOCI	5,675	(1,519)	4,156	(3,717)	988	(2,729)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	4,060	(1,024)	3,036	1,391	(337)	1,054
– Net movement in cash flow hedge reserve	88	17	105	(33)	6	(27)
– Share of other comprehensive income from equity-accounted investees	133	–	133	463	–	463
– Exchange difference on translation of financial statements of foreign operations	(1,574)	–	(1,574)	(2,483)	–	(2,483)
Items that will not be reclassified subsequently to profit or loss	1,176	157	1,333	677	(153)	524
– Net fair value gain on equity instruments designated at FVTOCI	1,158	160	1,318	625	(144)	481
– Remeasurement of defined benefit scheme	18	(3)	15	52	(9)	43
Other comprehensive income	9,558	(2,369)	7,189	(3,702)	504	(3,198)

(b) Movements relating to components of other comprehensive income are as follows:

	2021	2020
Net fair value gain/(loss) on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	6,793	(502)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(2,637)	(2,227)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	4,156	(2,729)
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	3,036	1,054
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	3,036	1,054
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	1,318	481
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	1,318	481
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	74	(36)
Reclassification adjustment for realised gain to profit or loss	31	9
Net movement in hedging reserve during the year recognised in other comprehensive income	105	(27)

17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year. As there were no diluted potential ordinary shares for the years of 2021 and 2020, there was no difference between basic and diluted earnings per share for both years.

	2021	2020
Net profit attributable to equity holders of the Bank	**119,922**	97,342
Less: Net profit attributable to preference shareholders of the Bank	**(1,638)**	(1,651)
Net profit attributable to holders of perpetual bonds	**(1,975)**	–
Net profit attributable to ordinary shareholders of the Bank	**116,309**	95,691
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**4.61**	3.79

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020 and 2021. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year should be deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2021 and 2020. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

18. Balances with central banks

	2021	2020
Statutory deposit reserve (note (i))	**484,878**	472,566
Surplus deposit reserve (note (ii))	**65,819**	47,472
Fiscal deposits	**2,958**	5,080
Interest receivable	**243**	240
Total	**553,898**	525,358

Notes:

(i) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in Mainland China are calculated at 8% and 9% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2021 (31 December 2020: 9% and 5% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside Mainland China. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Mainland China are mainly for clearing and settlement purposes.

19. Balances with banks and other financial institutions

	2021	2020
Principal (a)	80,664	103,448
Impairment allowances (a)(b)	(378)	(277)
Subtotal	80,286	103,171
Interest receivable	64	164
Total	80,350	103,335

(a) Analysed by nature of counterparties

	2021	2020
Balances in Mainland China	37,453	56,811
– Banks	35,620	55,117
– Other financial institutions	1,833	1,694
Balances outside Mainland China	43,211	46,637
– Banks	41,430	45,942
– Other financial institutions	1,781	695
Total	80,664	103,448
Less: Impairment allowances	(378)	(277)
– Banks	(329)	(265)
– Other financial institutions	(49)	(12)
Net carrying amount	80,286	103,171

(b) Movements of allowances for impairment losses are as follows:

	2021	2020
Balance as at the beginning of the year	277	372
Charge/(release) for the year (note 14)	109	(93)
Exchange difference	(8)	(2)
Balance as at the end of the year	378	277

20. Placements with banks and other financial institutions

	2021	2020
Principal (a)	196,351	226,516
Impairment allowances (a)(c)	(2,860)	(376)
Subtotal	193,491	226,140
Interest receivable	930	779
Total	194,421	226,919

(a) Analysed by nature of counterparties

	2021	2020
Placements in Mainland China	127,959	136,551
– Banks	19,213	27,637
– Other financial institutions	108,746	108,914
Placements outside Mainland China	68,392	89,965
– Banks	68,102	89,965
– Other financial institutions	290	–
Total	196,351	226,516
Less: Impairment allowances	(2,860)	(376)
– Banks	(136)	(145)
– Other financial institutions	(2,724)	(231)
Net carrying amount	193,491	226,140

(b) Analysed by remaining maturity

	2021	2020
Maturing		
– Within one month (inclusive)	66,842	96,002
– Between one month and one year (inclusive)	115,906	125,969
– Over one year	10,743	4,169
Total	193,491	226,140

(c) Movements of allowances for impairment losses are as follows:

	2021	2020
Balance as at the beginning of the year	376	338
Charge for the year (note 14)	2,481	53
Exchange difference	3	(15)
Balance as at the end of the year	2,860	376

21. Amounts held under resale agreements

	2021	2020
Principal (a)	**528,564**	286,879
Impairment allowances (a)(d)	**(4,263)**	(743)
Subtotal	**524,301**	286,136
Interest receivable	**300**	126
Total	**524,601**	286,262

(a) Analysed by nature of counterparties

	2021	2020
Amounts held under resale agreements in Mainland China	**528,447**	286,382
– Banks	**60,323**	29,227
– Other financial institutions	**468,124**	257,155
Amounts held under resale agreements outside Mainland China	**117**	497
– Other financial institutions	**117**	497
Total	**528,564**	286,879
Less: Impairment allowances	**(4,263)**	(743)
– Banks	**(175)**	(185)
– Other financial institutions	**(4,088)**	(558)
Net carrying amount	**524,301**	286,136

(b) Analysed by remaining maturity

	2021	2020
Maturing		
– Within one month (inclusive)	**524,301**	279,446
– Between one month and one year (inclusive)	**–**	6,690
Total	**524,301**	286,136

(c) Analysed by underlying assets

	2021	2020
Bonds	**522,202**	278,817
Bills	**2,099**	7,319
Total	**524,301**	286,136

(d) Movements of allowances for impairment losses are as follows:

	2021	2020
Balance as at the beginning of the year	**743**	396
Charge for the year (note 14)	**3,520**	347
Balance as at the end of the year	**4,263**	743

22. Loans and advances to customers

(a) Loans and advances to customers

	2021	2020
Gross amount of loans and advances to customers at amortised cost (i)	**5,075,052**	4,647,140
Interest receivable	**10,548**	9,528
Subtotal	**5,085,600**	4,656,668
Less: Loss allowances of loans and advances to customers at amortised cost (i)	**(244,523)**	(234,426)
Loss allowances of interest receivable	**(971)**	(96)
Subtotal	**(245,494)**	(234,522)
Loans and advances to customers at amortised cost	**4,840,106**	4,422,146
Loans and advances to customers at FVTOCI (ii)	**488,004**	375,359
Loans and advances to customers at FVTPL (iii)	**7,281**	6,856
Total	**5,335,391**	4,804,361

(i) Loans and advances to customers at amortised cost

	2021	2020
Corporate loans and advances	**2,087,247**	1,965,980
Retail loans and advances	**2,987,791**	2,681,160
Discounted bills	**14**	–
Gross amount of loans and advances to customers at amortised cost	**5,075,052**	4,647,140
Less: Loss allowances	**(244,523)**	(234,426)
– Stage 1 (12-month ECL)	**(169,347)**	(159,918)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(32,007)**	(27,401)
– Stage 3 (Lifetime ECL-credit-impaired)	**(43,169)**	(47,107)
Net amount of loans and advances to customers at amortised cost	**4,830,529**	4,412,714

(ii) Loans and advances to customers at FVTOCI

	2021	2020
Corporate loans and advances	**56,713**	44,623
Discounted bills	**431,291**	330,736
Loans and advances to customers at FVTOCI	**488,004**	375,359
Loss allowances	**(1,581)**	(238)
– Stage 1 (12-month ECL)	**(1,289)**	(226)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(292)**	(12)
– Stage 3 (Lifetime ECL-credit-impaired)	**–**	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	2021	2020
Corporate loans and advances	**6,978**	6,629
Interest receivable	**303**	227
Total	**7,281**	6,856

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in Mainland China

	2021	2020
Transportation, storage and postal services	**412,417**	381,898
Property development	**367,642**	342,667
Manufacturing	**309,635**	256,173
Production and supply of electric power, heating power, gas and water	**187,611**	161,777
Leasing and commercial services	**170,009**	143,805
Wholesale and retail	**138,352**	132,055
Construction	**117,453**	101,442
Water, environment and public utilities management	**64,427**	52,911
Telecommunications, software and IT services	**58,267**	54,491
Finance	**57,988**	74,892
Mining	**28,854**	31,097
Other	**66,364**	65,330
Subtotal of corporate loans and advances	**1,979,019**	1,798,538
Discounted bills	**431,305**	327,479
Residential mortgage	**1,364,534**	1,264,466
Credit cards	**840,254**	746,560
Micro-finance loans	**560,657**	474,545
Other	**173,527**	156,713
Subtotal of retail loans and advances	**2,938,972**	2,642,284
Gross amount of loans and advances to customers	**5,349,296**	4,768,301

Operations outside Mainland China

	2021	2020
Finance	**37,345**	39,402
Property development	**34,062**	48,125
Transportation, storage and postal services	**33,186**	30,526
Manufacturing	**23,763**	26,962
Wholesale and retail	**8,920**	17,720
Telecommunications, software and IT services	**7,727**	9,644
Production and supply of electric power, heating power, gas and water	**7,077**	8,636
Mining	**5,651**	9,579
Leasing and commercial services	**4,749**	11,223
Construction	**3,481**	2,177
Water, environment and public utilities management	**821**	2,383
Other	**5,137**	12,317
Subtotal of corporate loans and advances	**171,919**	218,694
Discounted bills	**–**	3,257
Residential mortgage	**9,872**	10,349
Credit cards	**117**	127
Micro-finance loans	**1,214**	1,183
Other	**37,616**	27,217
Subtotal of retail loans and advances	**48,819**	38,876
Gross amount of loans and advances to customers	**220,738**	260,827

As at 31 December 2021, over 90% of the Group's loans and advances to customers were conducted in Mainland China (31 December 2020: over 90%).

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	2021	2020
Credit loans	**1,977,014**	1,758,502
Guaranteed loans	**752,744**	696,634
Collateralised loans	**2,075,639**	1,914,658
Pledged loans	**333,332**	328,598
Subtotal	**5,138,729**	4,698,392
Discounted bills	**431,305**	330,736
Gross amount of loans and advances to customers	**5,570,034**	5,029,128

(iii) Analysed by overdue term:

	2021				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	**18,097**	**10,269**	**2,972**	**944**	**32,282**
Guaranteed loans	**1,141**	**2,650**	**3,476**	**1,403**	**8,670**
Collateralised loans	**2,616**	**2,733**	**3,610**	**2,142**	**11,101**
Pledged loans	**473**	**687**	**791**	**3,422**	**5,373**
Gross amount of loans and advances to customers	**22,327**	**16,339**	**10,849**	**7,911**	**57,426**

	2020				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	11,350	11,753	1,538	688	25,329
Guaranteed loans	737	3,982	6,165	2,268	13,152
Collateralised loans	3,116	3,901	4,033	1,883	12,933
Pledged loans	381	476	3,737	560	5,154
Gross amount of loans and advances to customers	15,584	20,112	15,473	5,399	56,568

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2021	2020
Collateralised loans that are overdue but not impaired	**1,517**	2,308
Pledged loans that are overdue but not impaired	**473**	177
Total	**1,990**	2,485

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Loans and advances measured at amortised cost	**4,912,836**	**111,354**	**50,862**	**5,075,052**
Less: Loss allowances of loans and advances to customers at amortised cost	**(169,347)**	**(32,007)**	**(43,169)**	**(244,523)**
Net amount of loans and advances to customers at amortised cost	**4,743,489**	**79,347**	**7,693**	**4,830,529**
Loans and advances to customers at FVTOCI	**485,735**	**2,269**	**–**	**488,004**
Loss allowances of loans and advances to customers at FVTOCI	**(1,289)**	**(292)**	**–**	**(1,581)**

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Loans and advances measured at amortised cost	4,517,239	76,286	53,615	4,647,140
Less: Loss allowances of loans and advances to customers at amortised cost	(159,918)	(27,401)	(47,107)	(234,426)
Net amount of loans and advances to customers at amortised cost	4,357,321	48,885	6,508	4,412,714
Loans and advances to customers at FVTOCI	374,800	559	–	375,359
Loss allowances of loans and advances to customers at FVTOCI	(226)	(12)	–	(238)

22. Loans and advances to customers *(continued)*

(c) Movements of allowance for expected credit loss

(i) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at amortised cost:

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	**159,918**	**27,401**	**47,107**	**234,426**
Transfer to				
– Stage 1	**5,848**	**(5,743)**	**(105)**	**–**
– Stage 2	**(1,137)**	**1,592**	**(455)**	**–**
– Stage 3	**(1,001)**	**(4,972)**	**5,973**	**–**
Charge for the year (note 14)	**5,766**	**13,763**	**16,149**	**35,678**
Write-offs/disposals	**–**	**–**	**(35,105)**	**(35,105)**
Unwinding of discount on allowance	**–**	**–**	**(247)**	**(247)**
Recovery of loans and advances written off	**–**	**–**	**9,893**	**9,893**
Exchange difference	**(47)**	**(34)**	**(41)**	**(122)**
Balance as at the end of the year	**169,347**	**32,007**	**43,169**	**244,523**

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	138,803	37,644	46,309	222,756
Transfer to				
– Stage 1	2,636	(2,571)	(65)	–
– Stage 2	(552)	1,398	(846)	–
– Stage 3	(565)	(10,698)	11,263	–
Charge for the year (note 14)	19,696	1,652	25,635	46,983
Write-offs/disposals	–	–	(43,734)	(43,734)
Unwinding of discount on allowance	–	–	(186)	(186)
Recovery of loans and advances written off	–	–	8,781	8,781
Exchange difference	(100)	(24)	(50)	(174)
Balance as at the end of the year	159,918	27,401	47,107	234,426

(ii) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at FVTOCI:

	2021	2020
Balance as at the beginning of the year	**238**	341
Charge/(release) for the year (note 14)	**1,342**	(101)
Exchange difference	**1**	(2)
Balance as at the end of the year	**1,581**	238

22. Loans and advances to customers *(continued)*

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2021	2020
Total minimum leases receivable		
Within 1 year (inclusive)	**15,035**	20,865
Over 1 year but within 2 years (inclusive)	**11,225**	15,608
Over 2 years but within 3 years (inclusive)	**8,519**	10,720
Over 3 years but within 4 years (inclusive)	**5,323**	8,135
Over 4 years but within 5 years (inclusive)	**5,580**	6,280
Over 5 years	**13,980**	18,890
Subtotal	**59,662**	80,498
Unearned finance income	**(8,378)**	(11,206)
Present value of minimum leases receivable	**51,284**	69,292
Less: Impairment allowances	**(3,237)**	(3,443)
– Stage 1 (12-month ECL)	**(1,872)**	(1,653)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(632)**	(931)
– Stage 3 (Lifetime ECL-credit-impaired)	**(733)**	(859)
Net carrying amount of finance leases receivable	**48,047**	65,849

23. Financial investments

	Notes	2021	2020
Financial investments at fair value through profit or loss	23(a)	**348,123**	495,723
Debt investments at amortised cost	23(b)	**1,185,841**	1,049,280
Debt investments at FVTOCI	23(c)	**636,038**	516,553
Equity investments designated at FVTOCI	23(d)	**6,995**	7,139
Total		**2,176,997**	2,068,695

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

	Notes	2021	2020
Financial investments measured at FVTPL	(i)	**318,245**	464,466
Financial assets designated at fair value through profit or loss	(ii)	**29,878**	31,257
Total		**348,123**	495,723

23. Financial investments *(continued)*

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

(i) Financial investments measured at FVTPL

Financial investments held for trading

	2021	2020
Bonds:		
Classified by issuer	**129,792**	131,130
– Government bonds	**46,721**	32,254
– Bonds issued by policy banks	**9,861**	4,845
– Bonds issued by commercial banks and other financial institutions	**21,245**	22,636
– Other debt securities	**51,965**	71,395
Classified by listing	**129,792**	131,130
– Listed in Mainland China	**113,762**	110,561
– Listed outside Mainland China	**15,796**	20,361
– Unlisted	**234**	208
Other investments:		
Classified by underlying assets	**5,205**	4,028
– Fund investments	**4,067**	2,971
– Wealth management products	**1,036**	961
– Long position in precious metal contracts	**102**	96
Classified by listing	**5,205**	4,028
– Listed in Mainland China	**–**	–
– Listed outside Mainland China	**111**	140
– Unlisted	**5,094**	3,888
Total financial investments held for trading	**134,997**	135,158

23. Financial investments *(continued)*

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

(i) Financial investments measured at FVTPL *(continued)*

Other financial investments measured at FVTPL

	2021	2020
Bonds:		
Classified by issuer	**17,094**	15,373
– Bonds issued by commercial banks and other financial institutions	**9,784**	8,706
– Other debt securities	**7,310**	6,667
Classified by listing	**17,094**	15,373
– Listed in Mainland China	**15,388**	14,244
– Listed outside Mainland China	**1,333**	995
– Unlisted	**373**	134
Other investments:		
Classified by underlying assets	**166,154**	313,935
– Non-standard assets – Bills	**–**	175,303
– Equity investments	**4,909**	3,410
– Fund investments	**158,703**	133,861
– Wealth management products	**1,360**	298
– Other	**1,182**	1,063
Classified by listing	**166,154**	313,935
– Listed in Mainland China	**62**	96
– Listed outside Mainland China	**1,118**	739
– Unlisted	**164,974**	313,100
Total other financial investments measured at FVTPL	**183,248**	329,308
Total financial investments measured at FVTPL	**318,245**	464,466

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

	2021	2020
Bonds:		
Classified by issuer		
– Government Bonds	**41**	41
– Bonds issued by policy banks	**17,970**	18,431
– Bonds issued by commercial banks and other financial institutions	**11,251**	10,567
– Other debt securities	**616**	2,218
Total	**29,878**	31,257
Classified by listing		
– Listed in Mainland China	**28,793**	28,533
– Listed outside Mainland China	**1,060**	2,710
– Unlisted	**25**	14
Total	**29,878**	31,257

23. Financial investments *(continued)*

(b) Debt investments at amortised cost

	2021	2020
Debt investments at amortised cost (i)(ii)	**1,209,359**	1,060,387
Interest receivable	**16,368**	15,099
Subtotal	**1,225,727**	1,075,486
Impairment losses of principal (i)(ii)(iii)	**(39,707)**	(26,118)
Impairment losses of interest receivable	**(179)**	(88)
Subtotal	**(39,886)**	(26,206)
Total	**1,185,841**	1,049,280

(i) Debt investments at amortised cost:

	2021	2020
Bonds:		
Classified by issuer	**1,078,888**	911,409
– Government bonds	**768,537**	623,727
– Bonds issued by policy banks	**280,129**	252,996
– Bonds issued by commercial banks and other financial institutions	**20,064**	28,157
– Other debt securities	**10,158**	6,529
Classified by listing	**1,078,888**	911,409
– Listed in Mainland China	**1,068,300**	906,053
– Listed outside Mainland China	**4,740**	2,064
– Unlisted	**5,848**	3,292
Fair value for the listed bonds	**1,099,251**	916,422
Other investments:		
Classified by underlying assets	**130,471**	148,978
– Non-standard assets – Bills	**–**	12,725
– Non-standard assets – Loans and advances to customers	**115,022**	123,681
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**100**	6,400
– Non-standard assets – Other	**14,729**	5,580
– Other	**620**	592
Classified by listing	**130,471**	148,978
– Unlisted	**130,471**	148,978
Total	**1,209,359**	1,060,387
Less: loss allowances	**(39,707)**	(26,118)
Stage 1 (12-month ECL)	**(14,974)**	(11,832)
Stage 2 (Lifetime ECL – not credit-impaired)	**(712)**	(326)
Stage 3 (Lifetime ECL – credit-impaired)	**(24,021)**	(13,960)
Net debt investments at amortised cost	**1,169,652**	1,034,269

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Debt investments at amortised cost	1,183,320	1,962	24,077	1,209,359
Less: Loss allowances of debt investments at amortised cost	(14,974)	(712)	(24,021)	(39,707)
Net debt investments at amortised cost	1,168,346	1,250	56	1,169,652

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Debt investments at amortised cost	1,044,826	971	14,590	1,060,387
Less: Loss allowances of debt investments at amortised cost	(11,832)	(326)	(13,960)	(26,118)
Net debt investments at amortised cost	1,032,994	645	630	1,034,269

(iii) Movements of allowances for expected credit loss

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	11,832	326	13,960	26,118
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(5)	5	–	–
– Stage 3	–	–	–	–
Charge for the year (note 14)	3,156	381	9,664	13,201
Write-offs / disposals	–	–	(10)	(10)
Recovery of debt previously written off	–	–	419	419
Exchange difference	(9)	–	(12)	(21)
Balance as at the end of the year	14,974	712	24,021	39,707

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss *(continued)*

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	9,179	283	4,533	13,995
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	(204)	–	204	–
Charge for the year (note 14)	2,858	43	10,974	13,875
Write-offs / disposals	–	–	(1,822)	(1,822)
Recovery of debt previously written off	–	–	80	80
Exchange difference	(1)	–	(9)	(10)
Balance as at the end of the year	11,832	326	13,960	26,118

(c) Debt investments at FVTOCI

	2021	2020
Debt investments at FVTOCI (i)	**628,355**	510,307
Interest receivable	**7,683**	6,246
Total	**636,038**	516,553
Impairment losses of debt investments at FVTOCI (ii)	**(6,622)**	(4,014)
Impairment losses of interest receivable	**(84)**	(25)
Total	**(6,706)**	(4,039)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

(i) Debt investments at FVTOCI:

	2021	2020
Bonds:		
Classified by issuer		
– Government bonds	**390,419**	287,007
– Bonds issued by policy banks	**82,427**	71,542
– Bonds issued by commercial banks and other financial institutions	**106,139**	97,487
– Other debt securities	**49,370**	54,271
Total	**628,355**	510,307
Classified by listing		
– Listed in Mainland China	**522,889**	400,456
– Listed outside Mainland China	**65,439**	64,191
– Unlisted	**40,027**	45,660
Total	**628,355**	510,307

23. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for expected credit loss

	2021	2020
Balance as at the beginning of the year	**4,014**	2,600
Charge for the year (note 14)	**2,647**	1,492
Exchange difference	**(39)**	(78)
Balance as at the end of the year	**6,622**	4,014

(d) Equity investments designated at FVTOCI

	2021	2020
Repossessed equity instruments	**901**	899
Other	**6,094**	6,240
Total	**6,995**	7,139
Classified by listing		
– Listed in Mainland China	**65**	52
– Listed outside Mainland China	**2,204**	2,023
– Unlisted	**4,726**	5,064
Total	**6,995**	7,139

During the year ended 31 December 2021, the Group disposed of part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed of at the date of derecognition was RMB2,186 million (2020: RMB433 million). The cumulative net of tax gain on disposal of RMB1,804 million (2020: cumulative net of tax gain of RMB26 million) was transferred from investment revaluation reserve to retained earnings on disposal, among which RMB1,796 million was due to the completion of the stake acquisition of Bank of Taizhou Co., Ltd. in 2021. The investment in Bank of Taizhou Co., Ltd. was converted from equity investments designated at FVTOCI to interests in associates, refer to Note 26 for details.

24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affected the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment managements	Limited liability	Tian Huiyu
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability	Zhu Qi
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,000	100%	Asset management	Limited liability	Chen Yisong
China Merchants Europe S.A. (note (vi))	Luxembourg	EUR50	100%	Banking	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability	Wang Xiaoqing

24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

(i) CMB International Capital Holdings Corporation Limited ("CMBICHC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu [1998] No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBICHC. The capital of CMBICHC increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged.

The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBICHC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBICHC on 28 July 2015. The capital contribution was completed on 20 January 2016.

(ii) CMB Financial Leasing Company Limited ("CMBFLC") is a wholly-owned subsidiary of the Bank approved for setting up by the CBIRC through its Yin Jian Fu [2008] No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFLC. The capital of CMBFLC increased to RMB6,000 million and the Bank's shareholding percentage remains unchanged. In August 2021, CMBFLC converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFLC increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged.

(iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009.

(iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.

(v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the CBIRC with Yinbao Jianfu [2019] No. 981. It was formally established on November 1 2019.

(vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of which the establishment was approved by the CBIRC with Yin Jianfu [2016] No. 460. It was formally established in November 2019 and obtained a commercial banking license in Luxemburg from the European Central Bank in May 2021.

(vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the CBIRC with Yinbao Jianfu [2020] No. 708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBICHC, a subsidiary of the Bank.

25. Interests in joint ventures

	2021	2020
Share of net assets	**14,779**	12,403
Share of profits for the year	**2,877**	2,392
Share of other comprehensive income for the year	**133**	456

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Limited liability	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd. ("CIGNA & CMB Life"), and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its the capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

25. Interests in joint ventures *(continued)*

Summarised financial information with necessary adjustments in accordance with the Group's accounting policies of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2021										
CIGNA & CMB Life	**108,815**	**97,686**	**11,129**	**26,635**	**1,174**	**268**	**1,442**	**1,290**	**151**	**(43)**
Group's effective interest	**54,172**	**48,843**	**5,329**	**13,318**	**565**	**133**	**698**	**645**	**76**	**(22)**
2020										
CIGNA & CMB Life	75,196	65,259	9,937	23,608	1,638	912	2,550	437	56	299
Group's effective interest	37,386	32,630	4,756	11,804	812	456	1,268	219	28	150

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2021									
MUCFC	**149,698**	**135,660**	**14,038**	**15,933**	**3,015**	**3,015**	**4,655**	**42**	**477**
Group's effective interest	**74,849**	**67,830**	**7,019**	**7,967**	**1,507**	**1,507**	**2,328**	**21**	**239**
2020									
MUCFC	108,881	97,858	11,023	12,816	1,663	1,663	2,447	44	501
Group's effective interest	54,441	48,929	5,512	6,408	832	832	1,224	22	251

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net profit	Other comprehensive expense	Total comprehensive income
2021			
Other joint ventures	**4,675**	**(3)**	**4,672**
Group's effective interest	**805**	**–**	**805**
2020			
Other joint ventures	4,349	–	4,349
Group's effective interest	748	–	748

26. Interests in associates

	2021	2020
Share of net assets	**8,875**	2,519
Share of profits for the year	**1,153**	489
Share of other comprehensive income for the year	**–**	7

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Limited liability	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is converted from equity investments designated at FVTOCI to interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2021 (note)										
Bank of Taizhou Co., Ltd.	316,172	289,731	26,441	6,775	2,215	30	2,245	11,665	287	604
Group's effective interest	77,536	72,015	5,521	1,684	490	9	499	2,899	71	150

Note: The period for profit or loss and other comprehensive income is from 1 June 2021 to 31 December 2021.

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net profit	Other comprehensive (expense)/income	Total comprehensive income
2021			
Other associates	**37,958**	**(65)**	**37,893**
Group's effective interest	**663**	**(9)**	**654**
2020			
Other associates	36,557	25	36,582
Group's effective interest	489	7	496

27. Investment properties

	2021	2020
Cost:		
At 1 January	3,276	3,558
Transfers out	(86)	(173)
Exchange difference	(55)	(109)
At 31 December	3,135	3,276
Accumulated depreciation:		
At 1 January	1,653	1,633
Depreciation	155	166
Transfers out	(7)	(72)
Exchange difference	(38)	(74)
At 31 December	1,763	1,653
Net carrying amount:		
At 31 December	1,372	1,623
At 1 January	1,623	1,925

As at 31 December 2021, no impairment allowance was considered necessary for investment properties by the Group (2020: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the method of capitalisation of net rental income. There has been no change to the valuation methodology during the year. As at 31 December 2021, the fair value of these properties was RMB4,978 million (31 December 2020: RMB5,317 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2021	2020
Within 1 year (inclusive)	313	296
1 year to 2 years (inclusive)	170	165
2 year to 3 years (inclusive)	127	71
3 year to 4 years (inclusive)	106	66
4 year to 5 years (inclusive)	105	60
Over 5 years	359	364
Total	1,180	1,022

The fair value hierarchy of the investment properties of the Group are listed as follows:

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2021
Located in Mainland China	–	–	2,775	2,775
Located overseas	–	–	2,203	2,203
Total	–	–	4,978	4,978

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2020
Located in Mainland China	–	–	2,927	2,927
Located overseas	–	–	2,390	2,390
Total	–	–	5,317	5,317

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Motor vehicles and other	Total
Cost:							
At 1 January 2021	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Additions	539	743	2,420	1,106	17,879	563	23,250
Reclassification and transfers	169	(348)	20	223	–	22	86
Disposals	(19)	–	(698)	(18)	(3,415)	(971)	(5,121)
Exchange difference	(92)	–	(31)	(47)	(1,261)	(4)	(1,435)
At 31 December 2021	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Accumulated depreciation:							
At 1 January 2021	11,750	–	11,489	6,132	6,729	4,813	40,913
Depreciation	1,314	–	2,097	950	3,822	519	8,702
Reclassification and transfers	6	–	17	–	–	(16)	7
Disposals	(14)	–	(661)	(15)	(1,290)	(848)	(2,828)
Exchange difference	(58)	–	(18)	(39)	(210)	(3)	(328)
At 31 December 2021	12,998	–	12,924	7,028	9,051	4,465	46,466
Impairment loss:							
At 1 January 2021	–	–	–	–	236	–	236
Charge	20	–	–	–	267	–	287
Exchange difference	–	–	–	–	(5)	–	(5)
At 31 December 2021	20	–	–	–	498	–	518
Net carrying amount:							
At 31 December 2021	15,858	3,502	3,936	3,897	51,778	1,444	80,415
At 1 January 2021	16,529	3,107	3,660	3,529	41,159	1,486	69,470

28. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Motor vehicles and other	Total
Cost:							
At 1 January 2020	27,356	2,964	13,750	8,510	43,309	6,351	102,240
Additions	290	1,003	2,078	1,081	10,475	777	15,704
Reclassification and transfers	841	(860)	25	172	–	(5)	173
Disposals	(33)	–	(641)	(12)	(2,613)	(821)	(4,120)
Exchange difference	(175)	–	(63)	(90)	(3,047)	(3)	(3,378)
At 31 December 2020	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Accumulated depreciation:							
At 1 January 2020	10,512	–	10,163	5,441	4,523	5,100	35,739
Depreciation	1,270	–	1,948	779	3,109	443	7,549
Reclassification and transfers	72	–	23	–	–	(23)	72
Disposals	(13)	–	(609)	(5)	(479)	(704)	(1,810)
Exchange difference	(91)	–	(36)	(83)	(424)	(3)	(637)
At 31 December 2020	11,750	–	11,489	6,132	6,729	4,813	40,913
Impairment loss:							
At 1 January 2020	–	–	–	–	93	–	93
Charge	–	–	–	–	153	–	153
Exchange difference	–	–	–	–	(10)	–	(10)
At 31 December 2020	–	–	–	–	236	–	236
Net carrying amount:							
At 31 December 2020	16,529	3,107	3,660	3,529	41,159	1,486	69,470
At 1 January 2020	16,844	2,964	3,587	3,069	38,693	1,251	66,408

(a) As at 31 December 2021, the process of obtaining the registration license for the Group's properties with an aggregate net carrying value of RMB1,026 million (31 December 2020: RMB1,565 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.

(b) As at 31 December 2021, the Group had no significant unused property and equipment (31 December 2020: Nil).

(c) As at 31 December 2021, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFLC's subsidiaries was RMB 15,075 million (31 December 2020: RMB 12,884 million).

(d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2021	2020
Within 1 year (inclusive)	**7,765**	5,851
1 year to 2 years (inclusive)	**7,148**	5,316
2 year to 3 years (inclusive)	**5,796**	4,883
3 year to 4 years (inclusive)	**4,862**	4,303
4 year to 5 years (inclusive)	**4,253**	3,916
Over 5 years	**13,357**	13,550
Total	**43,181**	37,819

29. Lease contracts

(a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2021	5,957	21,122	4	16	27,099
Additions	33	4,071	5	1	4,110
Decrease	(5)	(2,123)	(2)	(1)	(2,131)
At 31 December 2021	5,985	23,070	7	16	29,078
Accumulated depreciation:					
At 1 January 2021	1,009	6,978	2	6	7,995
Depreciation (Note 10)	182	4,070	3	4	4,259
Decrease	(1)	(1,634)	(2)	(1)	(1,638)
At 31 December 2021	1,190	9,414	3	9	10,616
Impairment loss:					
At 1 January 2021	–	–	–	–	–
Charge	59	–	–	–	59
At 31 December 2021	59	–	–	–	59
Net carrying amount:					
At 31 December 2021	4,736	13,656	4	7	18,403
At 1 January 2021	4,948	14,144	2	10	19,104

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2020	5,968	18,602	3	18	24,591
Additions	–	3,888	4	2	3,894
Decrease	(11)	(1,368)	(3)	(4)	(1,386)
At 31 December 2020	5,957	21,122	4	16	27,099
Accumulated depreciation:					
At 1 January 2020	830	3,755	1	5	4,591
Depreciation (Note 10)	183	4,228	2	3	4,416
Decrease	(4)	(1,005)	(1)	(2)	(1,012)
At 31 December 2020	1,009	6,978	2	6	7,995
Net carrying amount:					
At 31 December 2020	4,948	14,144	2	10	19,104
At 1 January 2020	5,138	14,847	2	13	20,000

The Group mainly leases land use rights and buildings for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

29. Lease contracts *(continued)*

(b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2021	2020
Within 1 month (inclusive)	**506**	527
1 month to 3 months (inclusive)	**536**	488
3 months to 1 year (inclusive)	**2,989**	2,805
1 year to 2 years (inclusive)	**3,228**	3,395
2 year to 5 years (inclusive)	**4,925**	5,182
Over 5 years	**1,628**	1,845
Total	**13,812**	14,242

Interest expense on lease liabilities are set out in note 7.

(c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

(d)

During the year of 2021, total cash outflow of the Group's leases amounted to RMB4,835 million (2020: RMB4,644 million).

(e)

As at 31 December 2021 and 2020, the leases committed but not yet commenced were not significant.

30. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2021	9,576	1,118	10,694
Additions	479	–	479
Exchange difference	(10)	(35)	(45)
At 31 December 2021	10,045	1,083	11,128
Accumulated amortisation:			
At 1 January 2021	5,442	489	5,931
Charge for the year (Note 10)	1,114	39	1,153
Exchange difference	(6)	(16)	(22)
At 31 December 2021	6,550	512	7,062
Net carrying amount:			
At 31 December 2021	3,495	571	4,066
At 1 January 2021	4,134	629	4,763

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2020	8,161	1,186	9,347
Additions	1,419	–	1,419
Exchange difference	(4)	(68)	(72)
At 31 December 2020	9,576	1,118	10,694
Accumulated amortisation:			
At 1 January 2020	4,294	478	4,772
Charge for the year (Note 10)	1,148	40	1,188
Exchange difference	–	(29)	(29)
At 31 December 2020	5,442	489	5,931
Net carrying amount:			
At 31 December 2020	4,134	629	4,763
At 1 January 2020	3,867	708	4,575

31. Goodwill

	As at 1 January 2021	Addition during the year	Release during the year	As at 31 December 2021	Impairment loss at 1 January 2021 and 31 December 2021	Net value at 1 January 2021 and 31 December 2021
CMB WLB (note (i))	10,177	–	–	10,177	(579)	9,598
CMFM (note (ii))	355	–	–	355	–	355
Zhaoyin Internet (note (iii))	1	–	–	1	–	1
Total	10,533	–	–	10,533	(579)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.

(iii) On 1 April 2015, CMBICHC acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. Zhaoyin Internet's scope of business comprises development and sales of computer software and hardware; sales of communication and office automation equipment; and IT consulting.

Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In assessing the impairment of goodwill, the Group assumed that the terminal growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 7% and 10% (2020: 9% and 12%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

32. Deferred tax assets and deferred tax liabilities

	2021	2020
Deferred tax assets	81,639	72,893
Deferred tax liabilities	(1,353)	(1,073)
Net amount	80,286	71,820

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	2021		2020	
	Deductible/ (taxable) temporary difference	Deferred tax	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Impairment allowances on loans and advances to customers and other assets at amortised cost	284,360	71,191	245,221	61,340
Financial assets at FVTOCI	(11,092)	(2,763)	(6,673)	(1,406)
Financial instruments at FVTPL	92	23	6,309	1,577
Salaries and welfare payable	47,928	11,947	37,592	9,363
Other	5,582	1,241	8,665	2,019
Total	326,870	81,639	291,114	72,893
Deferred tax liabilities				
Financial assets at FVTOCI	(5)	(1)	10	2
Financial instruments at FVTPL	(144)	(27)	8	2
Other	(7,755)	(1,325)	(6,677)	(1,077)
Total	(7,904)	(1,353)	(6,659)	(1,073)

32. Deferred tax assets and deferred tax liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable	Other	Total
At 1 January 2021	61,340	(1,404)	1,579	9,363	942	71,820
Recognised in profit or loss	9,850	1,020	(1,584)	2,584	(1,068)	10,802
Recognised in other comprehensive Income	–	(2,383)	–	–	14	(2,369)
Exchange difference	1	3	1	–	28	33
At 31 December 2021	71,191	(2,764)	(4)	11,947	(84)	80,286

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable	Other	Total
At 1 January 2020	59,232	(2,244)	(313)	6,621	899	64,195
Recognised in profit or loss	2,160	336	1,899	2,742	28	7,165
Recognised in other comprehensive Income	–	507	–	–	(3)	504
Exchange difference	(52)	(3)	(7)	–	18	(44)
At 31 December 2020	61,340	(1,404)	1,579	9,363	942	71,820

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. Other assets

	2021	2020
Amounts pending for settlement	**78,719**	48,423
Continuing involvement assets	**5,274**	3,128
Interest receivable	**3,913**	2,972
Prepaid lease payments	**257**	314
Repossessed assets (a)	**513**	612
Guarantee deposits	**519**	510
Receivable from reinsurers	**186**	190
Prepayment for leasehold improvement and other miscellaneous items	**4,987**	4,985
Premium receivables	**135**	150
Post-employment benefits: defined benefit plan (Note 39(b))	**65**	60
Other	**27,953**	24,115
Total	**122,521**	85,459

(a) Repossessed assets

	2021	2020
Land and buildings	**623**	700
Other repossessed assets	**31**	14
Total	**654**	714
Less: Impairment allowances	**(141)**	(102)
Net repossessed assets	**513**	612

Note: In 2021, the Group disposed of repossessed assets with a total carrying value of RMB66 million (2020: RMB228 million).

34. Deposits from banks and other financial institutions

	2021	2020
Principal (a)	751,254	719,764
Interest payable	1,764	3,638
Total	753,018	723,402

(a) Analysed by nature of counterparties

	2021	2020
In Mainland China	701,085	712,403
– Banks	77,788	143,846
– Other financial institutions	623,297	568,557
Outside Mainland China	50,169	7,361
– Banks	48,301	6,964
– Other financial institutions	1,868	397
Total	751,254	719,764

35. Placements from banks and other financial institutions

	2021	2020
Principal (a)	170,257	143,117
Interest payable	393	400
Total	170,650	143,517

(a) Analysed by nature of counterparties

	2021	2020
In Mainland China	114,496	96,910
– Banks	107,214	75,768
– Other financial institutions	7,282	21,142
Outside Mainland China	55,761	46,207
– Banks	55,570	46,011
– Other financial institutions	191	196
Total	170,257	143,117

36. Financial liabilities at fair value through profit or loss

	2021	2020
Financial liabilities held for trading (a)	**17,017**	20,990
Financial liabilities designated at fair value through profit or loss (b)	**46,744**	39,361
Total	**63,761**	60,351

(a) Financial liabilities held for trading

	2021	2020
Financial liabilities related to precious metal	**16,406**	20,361
Short position on bonds	**611**	629
Total	**17,017**	20,990

(b) Financial liabilities designated at fair value through profit or loss

	2021	2020
In Mainland China	**34,677**	22,362
– Precious metal contracts with other banks	**11,596**	1,589
– Other	**23,081**	20,773
Outside Mainland China	**12,067**	16,999
– Certificates of deposit issued	**377**	605
– Debt securities issued	**7,600**	13,914
– Other	**4,090**	2,480
Total	**46,744**	39,361

As at 31 December 2021 and 2020, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2021 and 2020 and as at 31 December 2021 and 2020.

37. Amounts sold under repurchase agreements

	2021	2020
Principal (a) (b)	157,572	142,881
Interest payable	88	46
Total	157,660	142,927

(a) Analysed by nature of counterparties

	2021	2020
In Mainland China	155,322	137,228
– Banks	147,410	136,248
– Other financial institutions	7,912	980
Outside Mainland China	2,250	5,653
– Banks	1,854	4,868
– Other financial institutions	396	785
Total	157,572	142,881

(b) Analysed by underlying assets

	2021	2020
Debt securities	152,071	108,352
– Government bonds	90,956	45,684
– Bonds issued by policy banks	48,833	53,445
– Bonds issued by commercial banks and other financial institutions	2,774	4,872
– Other debt securities	9,508	4,351
Discounted bills	5,501	34,529
Total	157,572	142,881

38. Deposits from customers

	2021	2020
Principal (a)	6,347,078	5,628,336
Interest payable	38,076	35,799
Total	6,385,154	5,664,135

(a) Analysed by nature of counterparties

	2021	2020
Corporate customers	4,058,924	3,595,690
– Demand deposits	2,652,817	2,306,134
– Time deposits	1,406,107	1,289,556
Retail customers	2,288,154	2,032,646
– Demand deposits	1,557,861	1,400,520
– Time deposits	730,293	632,126
Total	6,347,078	5,628,336

(b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2021	2020
Guarantee for acceptance bills	134,858	103,858
Guarantee for loans	18,878	19,183
Guarantee for issuing letters of credit	21,574	15,861
Deposit for letters of guarantee	32,412	29,463
Other	31,208	25,878
Total	238,930	194,243

39. Staff welfare scheme

(a) Salaries and welfare payable

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	14,155	53,827	(49,917)	18,065
Post-employment benefits – defined contribution plans (ii)	1,240	4,884	(4,495)	1,629
Other long-term employee benefits (iii)	67	17	(17)	67
Total	15,462	58,728	(54,429)	19,761

	2020			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	10,872	44,407	(41,124)	14,155
Post-employment benefits – defined contribution plans (ii)	699	3,410	(2,869)	1,240
Other long-term employee benefits (iii)	67	30	(30)	67
Total	11,638	47,847	(44,023)	15,462

(i) Short-term employee benefits

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	11,121	43,716	(40,519)	14,318
Welfare expense	24	2,908	(2,913)	19
Social insurance	408	3,158	(3,036)	530
– Medical insurance	391	3,046	(2,922)	515
– Injury insurance	6	27	(27)	6
– Maternity insurance	11	85	(87)	9
Housing reserve	191	2,119	(2,144)	166
Labour union and employee education expenses	2,411	1,926	(1,305)	3,032
Total	14,155	53,827	(49,917)	18,065

	2020			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	8,451	34,037	(31,367)	11,121
Welfare expense	69	4,156	(4,201)	24
Social insurance	120	2,640	(2,352)	408
– Medical insurance	107	2,541	(2,257)	391
– Injury insurance	6	20	(20)	6
– Maternity insurance	7	79	(75)	11
Housing reserve	246	1,921	(1,976)	191
Labour union and employee education expenses	1,986	1,653	(1,228)	2,411
Total	10,872	44,407	(41,124)	14,155

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(ii) Post-employment benefits-defined contribution plans

	2021			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	130	2,566	(2,539)	157
Supplementary pension	1,088	2,257	(1,895)	1,450
Unemployment insurance	22	61	(61)	22
Total	1,240	4,884	(4,495)	1,629

	2020			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	69	1,449	(1,388)	130
Supplementary pension	610	1,916	(1,438)	1,088
Unemployment insurance	20	45	(43)	22
Total	699	3,410	(2,869)	1,240

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its employees (endowment insurance). During the year ended 31 December 2021, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 16% (2020: 12% to 16%) of the staff salaries.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2021, the Group's annual contributions to this plan are determined based on 0% to 8.33% of the staff salaries and bonuses (2020: 0% to 8.33%).

For its employees outside Mainland China, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

(iii) Other long-term employee benefits

	2021			
	Beginning balance	Charge for the year	Payment in the year	Ending balance
Cash settled share-based transactions	67	17	(17)	67

	2020			
	Beginning balance	Charge for the year	Payment in the year	Ending balance
Cash settled share-based transactions	67	30	(30)	67

The Group has offered 10 phases of H share appreciation rights under the Scheme, the remaining seventh to tenth phases have not been exercised as of 31 December 2021. The share appreciation rights of the Scheme vest after 3 years from the grant date and are then exercisable within a period of 7 years. Each of the share appreciation right is linked to one H-share.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(1) All share appreciation rights shall be settled in cash. The terms and conditions of the scheme are listed below:

	Number of unexercised share appreciation rights at the end of 2021 (in millions)	Exercise conditions	Contract period of share appreciation rights
Share appreciation rights granted on 7 Jul 2014 (Phase VII)	0.225	3 years after the grant date	10 years
Share appreciation rights granted on 22 Jul 2015 (Phase VIII)	0.458	3 years after the grant date	10 years
Share appreciation rights granted on 24 Aug 2016 (Phase IX)	0.510	3 years after the grant date	10 years
Share appreciation rights granted on 25 Aug 2017 (Phase X)	0.570	3 years after the grant date	10 years

(2) The number and weighted average exercise prices of share appreciation rights are as follows:

	2021		2020	
	Weighted average exercise price (HKD)	**Number of share appreciation rights (in million)**	Weighted average exercise price (HKD)	Number of share appreciation rights (in million)
Outstanding as at the beginning of the year	**18.34**	**2.87**	18.57	4.14
Exercised during the year	**17.23**	**(0.42)**	14.90	(1.27)
Forfeited during the year	**19.11**	**(0.69)**	–	–
Outstanding at the end of the year	**16.21**	**1.76**	18.34	2.87
Exercisable at the end of the year	**14.92**	**1.35**	16.05	1.34

The share appreciation rights outstanding at 31 December 2021 had a weighted average exercise price of HKD16.21 (2020: HKD18.34) and a weighted average remaining contractual life of 4.36 years (2020: 5.55 years).

Pursuant to the requirements set out in the Scheme, if there are any dividends distributed, capital reserve converted into shares, share split or dilution, adjustments to the exercise price will be applied.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(3) Fair value of share appreciation rights and assumptions

The fair value of services received in return for share appreciation rights granted are measured by reference to the fair value of share appreciation rights granted. The estimate of the fair value of the share appreciation rights granted is measured based on the Black-Scholes model. The contractual life of the rights are used as an input to the model.

	2021			
	Phase VII	**Phase VIII**	**Phase IX**	**Phase X**
Fair value at measurement date (in RMB Yuan)	**40.54**	**33.66**	**33.40**	**25.98**
Share price (in HKD)	**61.75**	**61.75**	**61.75**	**61.75**
Exercise price (in HKD)	**7.44**	**14.59**	**13.16**	**23.70**
Expected volatility	**37.41%**	**37.41%**	**37.41%**	**37.41%**
Share appreciation rights remaining life (year)	**2.50**	**3.50**	**4.58**	**5.58**
Expected dividends yield	**3.36%**	**3.36%**	**3.36%**	**3.36%**
Risk-free interest rate	**1.43%**	**1.43%**	**1.43%**	**1.43%**

	2020			
	Phase VII	Phase VIII	Phase IX	Phase X
Fair value at measurement date (in RMB Yuan)	29.03	22.81	22.91	17.05
Share price (in HKD)	48.50	48.50	48.50	48.50
Exercise price (in HKD)	8.94	16.09	14.66	25.20
Expected volatility	36.10%	36.10%	36.10%	36.10%
Share appreciation rights remaining life (year)	3.50	4.50	5.58	6.58
Expected dividends yield	3.51%	3.51%	3.51%	3.51%
Risk-free interest rate	1.43%	1.43%	1.43%	1.43%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share appreciation rights) and adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividend yields. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share appreciation rights were granted under service conditions. The conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share appreciation rights granted.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(4) The number of share appreciation rights granted:

	2021					
	Phase VII (in thousands)	Phase VIII (in thousands)	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Exercised/ Forfeited (in thousands)
Tian Huiyu	225	300	300	330	1,155	75
Liu Jianjun	–	–	–	–	–	870
Wang Liang	–	157	210	240	607	203
Xiong Liangjun	–	–	–	–	–	660
Total	225	457	510	570	1,762	1,808

	2020					
	Phase VII (in thousands)	Phase VIII (in thousands)	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Exercised (in thousands)
Li Hao	–	–	–	–	–	2,131
Tang Zhihong	–	–	–	–	–	1,903
Tian Huiyu	225	300	300	330	1,155	75
Liu Jianjun	–	52	158	240	450	420
Wang Liang	–	157	210	240	607	203
Xu Shiqing	50	180	–	–	230	100
Xiong Liangjun	–	52	135	240	427	233
Total	275	741	803	1,050	2,869	5,065

Notes:

In 2021, senior management had exercised 0.42 million shares of appreciation rights (2020: 1.27 million) and the weighted average exercise price was HKD17.23 (2020: HKD14.90).

(b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2021 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 *Employee Benefits*. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 123% (2020: 118%).

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The amounts recognised in the consolidated statement of financial position as at 31 December 2021 and 2020 are analysed as follows:

	2021	2020
Fair value of the plan assets	349	401
Present value of the funded defined benefit obligation	(284)	(341)
Net asset recognised in the consolidated statement of financial position	65	60

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2022.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2021 and 2020.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2021	2020
Current service cost	(10)	(12)
Net interest income	–	–
Net expense for the year included in retirement benefit costs	(10)	(12)

The actual gain on the plan assets for the year ended 31 December 2021 was RMB2 million (2020: RMB64 million).

The movements in the defined benefit obligation during the year are as follows:

	2021	2020
Present value of obligation at 1 January	341	363
Current service cost	10	12
Interest cost	1	6
Actual benefits paid	(42)	(25)
Actuarial gains or losses due to liability experience	(6)	2
Actuarial gains or losses due to financial assumption changes	(22)	5
Actuarial gains or losses due to demographic assumption changes	10	–
Exchange difference	(8)	(22)
Actual obligation at 31 December	284	341

The movements in the fair value of the plan assets during the year are as follows:

	2021	2020
Fair value of the plan assets at 1 January	401	385
Interest income	1	6
Expected return on plan assets	1	58
Actual benefits paid	(42)	(25)
Exchange difference	(12)	(23)
Fair value of the plan assets at 31 December	349	401

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2021		2020	
	Amount	%	Amount	%
Equities	202	57.9	259	64.5
Bonds	71	20.3	64	16.0
Cash	76	21.8	78	19.5
Total	349	100.0	401	100.0

As at 31 December 2021, deposit with the Bank included in the amount of the plan assets was RMB53 million (2020: RMB65 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2021 %	2020 %
Discount rate		
– Defined benefit scheme	1.4	0.4
– Defined benefit pension scheme	0.4	0.1
Long-term average rate of salary increase for the plan	5.0	5.0
Pension increase rate for the defined benefit pension plan	–	–

In 2021 and 2020, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

40. Tax payable

	2021	2020
Corporate income tax	16,539	13,907
Value added tax	4,399	3,347
Other	1,553	1,394
Total	22,491	18,648

41. Contract liabilities

	2021	2020
Credit card points	**6,065**	5,309
Other deferred fee and commission income	**1,471**	1,520
Total	**7,536**	6,829

42. Provisions

	2021	2020
Expected credit loss on provisions	**12,790**	7,236
Other	**1,870**	993
Total	**14,660**	8,229

The expected credit loss for loan commitments and financial guarantee contracts by stages are as follows:

	2021			
	–Stage 1 (12-month ECL)	**–Stage 2 (Lifetime ECL-not credit-impaired)**	**–Stage 3 (Lifetime ECL-credit-impaired)**	**Total**
Expected credit loss on provisions	**8,210**	**3,724**	**856**	**12,790**

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Expected credit loss on provisions	5,560	1,073	603	7,236

43. Debt securities issued

	Notes	2021	2020
Subordinated notes issued	(a)	**34,236**	34,302
Long-term debt securities issued	(b)	**159,306**	146,559
Negotiable interbank certificates of deposit		**240,284**	144,816
Certificates of deposit issued		**10,715**	18,479
Interest payable		**2,104**	1,985
Total		**446,645**	346,141

(a) Subordinated notes issued

As at the end of the reporting period, subordinated notes issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	180 months	28 Dec 2012	5.20	RMB11,700	11,694	–	2	–	11,696
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,995	–	(1)	–	19,994
Total					31,689	–	1	–	31,690

As at the end of the reporting period, subordinated note issued by CMB WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed to floating rate bond	120 months	22 Nov 2017	3.75 (for the first 5 years); T*+1.75% (from 6th year onwards, if the notes are not called by the Bank)	USD400	2,613	–	(67)	–	2,546
Total					2,613	–	(67)	–	2,546

* T represents the 5 years US Treasury rate.

43. Debt securities issued *(continued)*

(b) Long-term debt securities issued

As at the end of reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	17 Aug 2018	3.95	RMB30,000	29,983	–	17	–	(30,000)	–
Medium term note (i)	36 months	19 Jun 2019	0.25	EUR300	2,411	–	2	(249)	–	2,164
Medium term note	36 months	19 Jun 2019	3M Libor+0.74	USD600	3,920	–	–	(97)	–	3,823
Fixed rate bond	36 months	5 Jul 2019	3.45	RMB30,000	29,991	–	(1)	–	–	29,990
Fixed rate bond	36 months	24 Sep 2019	3.33	RMB20,000	19,996	–	1	–	–	19,997
Medium term note	33 months	27 Sep 2019	3M Libor+0.74	USD60	392	–	–	(10)	–	382
Medium term note (ii)	36 months	25 Sep 2020	1.10	USD400	2,610	–	(2)	(62)	–	2,546
Medium term note (iii)	36 months	25 Sep 2020	0.95	USD300	1,955	–	(6)	(41)	–	1,908
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,998	–	–	–	–	9,998
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	–	9,999	(1)	–	–	9,998
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	–	19,997	(2)	–	–	19,995
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	–	9,999	(1)	–	–	9,998
Medium term note (iv)	24 months	1 Sep 2021	1.25	USD300	–	1,912	2	(2)	–	1,912
Medium term note (v)	60 months	1 Sep 2021	0.55	USD300	–	1,912	7	(7)	–	1,912
Total					101,256	43,819	16	(468)	(30,000)	114,623

Notes:

(i) Financial bonds issued by the Bank that were held by CMB WLB amounted to EUR 37 million as of 31 December 2021, equivalent to RMB263 million (31 December 2020: EUR 37 million, equivalent to RMB293 million).

(ii) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD30 million as of 31 December 2021, equivalent to RMB191 million (31 December 2020: USD30 million, equivalent to RMB196 million).

(iii) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD30 million as of 31 December 2021, equivalent to RMB191 million (31 December 2020: USD30 million, equivalent to RMB196 million).

(iv) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD45 million as of 31 December 2021, equivalent to RMB287 million (31 December 2020: nil).

(v) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD33 million as of 31 December 2021, equivalent to RMB210 million (31 December 2020: nil).

43. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFLC were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	29 Nov 2016	3.25	USD900	5,873	–	6	(65)	(5,814)	–
Fixed rate bond (i)	36 months	14 Mar 2018	5.24	RMB4,000	3,999	–	1	–	(4,000)	–
Fixed rate bond (ii)	36 months	9 May 2018	4.80	RMB4,000	3,999	–	1	–	(4,000)	–
Fixed rate bond	36 months	16 Jul 2018	4.50	RMB4,000	3,998	–	2	–	(4,000)	–
Fixed rate bond	36 months	13 Mar 2019	3.50	RMB1,500	1,498	–	2	–	–	1,500
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	499	–	–	–	–	499
Fixed rate bond	36 months	27 May 2019	3.68	RMB3,000	2,996	–	3	–	–	2,999
Fixed rate bond (iii)	60 months	3 Jul 2019	3.00	USD900	5,843	–	10	(148)	–	5,705
Fixed rate bond (iv)	120 months	3 Jul 2019	3.63	USD100	648	–	1	(16)	–	633
Fixed rate bond	36 months	17 Jul 2019	3.60	RMB3,000	2,995	–	3	–	–	2,998
Fixed rate bond (v)	12 months	17 Apr 2020	1.73	USD40	261	–	–	–	(261)	–
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,992	–	1	–	–	1,993
Fixed rate bond (vi)	60 months	12 Aug 2020	1.88	USD800	5,204	–	6	(132)	–	5,078
Fixed rate bond (vii)	120 months	12 Aug 2020	2.75	USD400	2,588	–	3	(65)	–	2,526
Fixed rate bond (viii)	36 months	17 Nov 2020	3.85	RMB4,000	3,989	–	4	–	–	3,993
Fixed rate bond	12 months	29 Dec 2020	1.50	USD20	131	–	–	(2)	(129)	–
Fixed rate bond (ix)	36 months	28 Jan 2021	3.60	RMB4,000	–	4,000	(8)	–	–	3,992
Fixed rate bond (x)	60 months	4 Feb 2021	2.00	USD400	–	2,584	4	(49)	–	2,539
Fixed rate bond (xi)	120 months	5 Feb 2021	2.88	USD400	–	2,588	5	(73)	–	2,520
Fixed rate bond	18 months	19 Mar 2021	1.16	USD50	–	326	–	(8)	–	318
Fixed rate bond (xii)	36 months	24 Mar 2021	3.58	RMB2,000	–	2,000	(4)	–	–	1,996
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	–	130	1	(5)	–	126
Fixed rate bond (xiii)	36 months	16 Sep 2021	1.25	USD600	–	3,876	2	(73)	–	3,805
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	–	1,938	1	(46)	–	1,893
Fixed rate bond (xiv)	36 months	16 Sep 2021	0.50	EUR100	–	760	–	(39)	–	721
Fixed rate bond (xv)	12 months	13 Dec 2021	3M Libor+0.55	USD60	–	382	–	–	–	382
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	–	216	–	–	–	216
Total					46,513	18,800	44	(721)	(18,204)	46,432

Notes:

(i) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to nil as of 31 December 2021 (31 December 2020: RMB260 million).

(ii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to nil as of 31 December 2021 (31 December 2020: RMB140 million).

(iii) Fixed rate bonds issued by CMB International Leasing Management Limited ("CMBILM"), a wholly-owned subsidiary of CMBFLC that were held by the Bank amounted to USD152 million as of 31 December 2021, equivalent to RMB967 million (31 December 2020: USD98 million, equivalent to RMB639 million). Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD30 million as of 31 December 2021, equivalent to RMB191 million (31 December 2020: USD30 million, equivalent to RMB196 million).

(iv) Fixed rate bonds issued by CMBILM that were held by the Bank amounted to USD43 million as of 31 December 2021, equivalent to RMB273 million (31 December 2020: USD43 million, equivalent to RMB282 million).

(v) Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to nil as of 31 December 2021 (31 December 2020: USD40 million, equivalent to RMB261 million).

(vi) Fixed rate bonds issued by CMBILM that were held by the Bank amounted to USD21 million as of 31 December 2021, equivalent to RMB132 million (31 December 2020: nil). Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD32 million as of 31 December 2021, equivalent to RMB204 million (31 December 2020: USD32 million, equivalent to RMB209 million).

(vii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD5 million as of 31 December 2021, equivalent to RMB32 million (31 December 2020: nil).

43. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

Notes: *(continued)*

(viii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to RMB500 million as of 31 December 2021(31 December 2020: RMB500 million).

(ix) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to RMB800 million as of 31 December 2021(31 December 2020: nil).

(x) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD24 million as of 31 December 2021, equivalent to RMB155 million (31 December 2020: nil).

(xi) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD53 million as of 31 December 2021, equivalent to RMB335 million (31 December 2020: nil).

(xii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to RMB70 million (31 December 2020: nil).

(xiii) Fixed rate bonds issued by CMBILM that were held by the Bank amounted to USD30 million as of 31 December 2021, equivalent to RMB191 million (31 December 2020: nil). Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD8 million as of 31 December 2021, equivalent to RMB51 million (31 December 2020: nil).

(xiv) Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to EUR 10 million as of 31 December 2021, equivalent to RMB72 million (31 December 2020: nil).

(xv) Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD60 million as of 31 December 2021, equivalent to RMB382 million (31 December 2020: nil).

As at the end of the reporting period, long-term debt securities issued by CMBICHC were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	9 Jul 2018	3.72	USD 300	1,962	–	–	(25)	(1,937)	–
Fixed rate bond (i)	36 months	2 June 2021	1.38	USD 600	–	3,874	(6)	(52)	–	3,816
Total					1,962	3,874	(6)	(77)	(1,937)	3,816

(i) Fixed rate bonds issued by CMBICHC that were held by CMB WLB amounted to USD11 million as of 31 December 2021, equivalent to RMB68 million (31 December 2020: nil).

44. Other liabilities

	2021	2020
Clearing and settlement accounts	**50,565**	22,557
Salary risk allowances (note)	**38,500**	31,200
Continuing involvement liability	**5,274**	3,128
Insurance liabilities	**2,063**	2,021
Collecting on behalf of customers	**951**	3,610
Cheques and remittances returned	**47**	127
Other payable	**42,170**	41,812
Total	**139,570**	104,455

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

45. Share capital

By type of shares:

	2021 and 2020 No. of shares (in million)
Listed shares	
– A Shares	20,629
– H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount
At 1 January 2021 and at 31 December 2021	**25,220**	**25,220**

46. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Con-version
Offshore Preference Shares in 2017 (note (i))	25 Oct 2017	Equity instruments	4.40%	USD20/Share	50	6,597	Perpetual existence	Note (iii)	None
Domestic Preference Shares in 2017 (note (ii))	22 Dec 2017	Equity instruments	4.81%	RMB100/Share	275	27,468	Perpetual existence	Note (iii)	None
Total					325	34,065			

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued US Dollar traded and settled non-cumulative Offshore Preference Shares in the aggregate nominal value of USD1,000 million on 25 October 2017. Each Offshore Preference Share has a nominal value of USD20 and 50 million Offshore Preference Shares were issued in total. The dividend rate is initially at 4.40% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(ii) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(iii) Both Domestic and Offshore Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) CBIRC having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the CBIRC for review and determination. The Bank shall fulfill the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Offshore and Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Offshore and Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Offshore and Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Offshore and Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Domestic Preference Shares and Offshore Preference Shares above, the total net funds raised amounted to RMB34,065 million, which has been included in additional Tier 1 capital of the Bank.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB100/Unit	430	42,989	Perpetual existence	None	None
Total					930	92,978			

The changes of Perpetual Bonds issued were as follows:

		1 January 2021		Increase		31 December 2021	
	Issuance date	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	500	49,989
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	–	–	430	42,989	430	42,989
Total		500	49,989	430	42,989	930	92,978

Note:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021, together with Perpetual Bonds 2020, Perpetual Bonds") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the CBIRC and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and 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.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

46. Other equity instruments *(continued)*

(c) Relative Information Attributed to Equity Instrument Holders

	2021	2020
Equity attributed to shareholders of the Bank	**858,745**	723,750
– Equity attributed to ordinary shareholders of the Bank	**731,702**	639,696
– Equity attributed to other equity instrument holders of the Bank	**127,043**	84,054
Including: Net profit	**3,613**	1,651
Total comprehensive income	**3,613**	1,651
Distributions in current year	**(3,613)**	(1,651)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**6,936**	6,604
– Equity attributed to non-controlling holders of ordinary shares	**3,300**	2,851
– Equity attributed to non-controlling holders of perpetual debt capital (Note 62)	**3,636**	3,753

47. Capital reserve

Capital reserve primarily represents share premium of the Bank and can be converted into share capital with the shareholders' approval.

	2021	2020
At 1 January and 31 December	**67,523**	67,523

48. Investment revaluation reserve

	2021	2020
Debt instruments measured at FVTOCI: investment revaluation reserve	**11,459**	4,281
Fair value gain on equity instruments designated at FVTOCI	**2,578**	3,064
Remeasurement of defined benefit scheme	**88**	73
Share of other comprehensive income of equity-accounted investees	**922**	789
Total	**15,047**	8,207

49. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") and is provided at 10% of the audited profit after tax of the Bank. Surplus reserve can be used to offset accumulated losses or capitalised as paid-up capital with the approval of shareholders.

	2021	2020
At 1 January	**71,158**	62,291
Provided for the year	**10,979**	8,867
At 31 December	**82,137**	71,158

51. General reserve

According to the relevant regulations of the Ministry of Finance, in addition to the impairment allowances, the Bank maintains a general reserve according to a certain proportion of the balance of risk assets to make up for unidentified potential losses. The general reserve is treated as profit distribution and is an integral part of equity. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region. The Bank and the Group's subsidiaries have maintained general reserves in accordance with the regulatory requirements as of 31 December 2021 and 2020.

	2021	2020
At 1 January	**98,082**	90,151
Provided for the year	**17,206**	7,931
At 31 December	**115,288**	98,082

52. Profit appropriations

(a) Dividends approved/declared by shareholders

	2021	2020
Ordinary share dividends in 2020, approved and declared: RMB1.253 per share	**31,601**	–
Ordinary share dividends in 2019, approved and declared: RMB1.20 per share	–	30,264

(b) Proposed profit appropriations

	2021	2020
Statutory surplus reserve	**10,979**	8,867
General reserve	**17,206**	7,931
Dividends		
– cash dividend: RMB1.522 per shares (2020: RMB1.253 per shares)	**38,385**	31,601
Total	**66,570**	48,399

2021 final dividends is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 18 March 2022 and will be submitted to the 2021 annual general meeting for approval.

53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Mainland China.

54. The bank's statement of financial position and changes in the bank's equity

	2021	2020
Assets		
Cash	12,794	12,547
Precious metals	4,554	7,873
Balances with central banks	543,652	508,385
Balances with banks and other financial institutions	41,632	73,318
Placements with banks and other financial institutions	188,376	217,325
Amounts held under resale agreements	523,516	282,240
Loans and advances to customers	5,023,050	4,510,864
Financial assets at fair value through profit or loss	290,941	451,978
Derivative financial assets	23,179	46,526
Debt investments at amortised cost	1,183,662	1,047,040
Debt investments at fair value through other comprehensive income	552,498	449,428
Equity investments designated at fair value through other comprehensive income	6,392	6,693
Investments in subsidiaries	49,495	49,495
Interests in joint ventures	12,582	7,630
Interests in associates	5,521	–
Investment properties	945	1,057
Property and equipment	26,833	26,300
Right-of-use assets	17,701	18,200
Intangible assets	3,228	3,961
Deferred tax assets	79,712	71,043
Other assets	109,871	74,233
Total assets	8,700,134	7,866,136
Liabilities		
Borrowing from central banks	159,987	331,622
Deposits from banks and other financial institutions	732,631	699,161
Placements from banks and other financial institutions	55,710	59,494
Financial liabilities at fair value through profit or loss	36,105	36,600
Derivative financial liabilities	26,866	49,624
Amounts sold under repurchase agreements	137,857	126,673
Deposits from customers	6,150,241	5,443,144
Salaries and welfare payable	15,853	12,194
Tax payable	20,926	17,205
Contract liabilities	7,536	6,829
Lease liabilities	13,164	13,468
Provisions	14,503	8,201
Debt securities issued	398,672	291,246
Other liabilities	119,395	86,218
Total liabilities	7,889,446	7,181,679
Equity		
Share capital	25,220	25,220
Other equity instruments	127,043	84,054
Capital reserve	76,681	76,681
Investment revaluation reserve	14,866	7,951
Hedging reserve	–	(26)
Surplus reserve	82,137	71,158
General reserve	105,941	94,067
Retained earnings	340,271	293,523
Proposed profit appropriations	38,385	31,601
Exchange reserve	144	228
Total equity	810,688	684,457
Total equity and liabilities	8,700,134	7,866,136

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

Details of the changes in the Bank's equity are as follows:

		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2021	25,220	34,065	49,989	76,681	7,951	(26)	71,158	94,067	293,523	31,601	228	684,457
Changes in equity for the year	–	–	42,989	–	6,915	26	10,979	11,874	46,748	6,784	(84)	126,231
Net profit for the year	–	–	–	–	–	–	–	–	109,794	–	–	109,794
Other comprehensive income for the year	–	–	–	–	8,720	26	–	–	–	–	(84)	8,662
Total comprehensive income for the year	–	–	–	–	8,720	26	–	–	109,794	–	(84)	118,456
Issue of perpetual bonds	–	–	42,989	–	–	–	–	–	–	–	–	42,989
Profit appropriations	–	–	–	–	–	–	10,979	11,874	(64,851)	6,784	–	(35,214)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	10,979	–	(10,979)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	11,874	(11,874)	–	–	–
Dividends paid for the year 2020	–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)
Proposed dividends for the year 2021	–	–	–	–	–	–	–	–	(38,385)	38,385	–	–
Dividends paid for preference shares	–	–	–	–	–	–	–	–	(1,638)	–	–	(1,638)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(1,805)	–	–	–	1,805	–	–	–
At 31 December 2021	25,220	34,065	92,978	76,681	14,866	–	82,137	105,941	340,271	38,385	144	810,688

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2020	25,220	34,065	–	76,681	8,676	(26)	62,291	85,820	255,155	30,264	206	578,352
Changes in equity for the year	–	–	49,989	–	(725)	–	8,867	8,247	38,368	1,337	22	106,105
Net profit for the year	–	–	–	–	–	–	–	–	88,674	–	–	88,674
Other comprehensive income for the year	–	–	–	–	(665)	–	–	–	–	–	22	(643)
Total comprehensive income for the year	–	–	–	–	(665)	–	–	–	88,674	–	22	88,031
Issue of perpetual bonds	–	–	49,989	–	–	–	–	–	–	–	–	49,989
Profit appropriations	–	–	–	–	–	–	8,867	8,247	(50,366)	1,337	–	(31,915)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	8,867	–	(8,867)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	8,247	(8,247)	–	–	–
Dividends paid for the year 2019	–	–	–	–	–	–	–	–	–	(30,264)	–	(30,264)
Proposed dividends for the year 2020	–	–	–	–	–	–	–	–	(31,601)	31,601	–	–
Dividends paid for preference shares	–	–	–	–	–	–	–	–	(1,651)	–	–	(1,651)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(60)	–	–	–	60	–	–	–
At 31 December 2020	25,220	34,065	49,989	76,681	7,951	(26)	71,158	94,067	293,523	31,601	228	684,457

55. Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2021	2020
Cash and Balances with central banks	**79,129**	37,496
Balance with banks and other financial institutions	**75,919**	83,688
Placements with banks and other financial institutions	**65,897**	111,706
Amounts held under resale agreements	**527,341**	282,867
Debt securities investments	**53,468**	37,033
Total	**801,754**	552,790

55. Notes to consolidated cash flow statement *(continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flows statement as cash flows from financing activities.

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2021	144,816	19,084	194,775	1,985	26	23,047	14,242	397,975
Cash changes:								
Proceeds from the issue	319,707	14,692	63,872	–	–	6,860	–	405,131
Repayment	(226,012)	(21,363)	(55,771)	–	–	(3,697)	(4,835)	(311,678)
Interest/dividend paid	(3,768)	–	–	(7,630)	(35,685)	–	–	(47,083)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	3,850	3,850
Accrued interest	–	–	–	7,749	–	–	555	8,304
Dividend declared	–	–	–	–	35,685	–	–	35,685
Discount or premium amortisation	5,541	(811)	53	–	–	–	–	4,783
Fair value adjustments	–	(15)	(257)	–	–	656	–	384
Exchange difference	–	(495)	(1,530)	–	–	(216)	–	(2,241)
At 31 December 2021	240,284	11,092	201,142	2,104	26	26,650	13,812	495,110

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2020	349,284	26,774	209,271	2,829	26	9,325	14,379	611,888
Cash changes:								
Proceeds from the issue	213,011	22,592	33,606	–	–	14,417	–	283,626
Repayment	(413,820)	(28,992)	(45,486)	–	–	(867)	(4,644)	(493,809)
Interest/dividend paid	(10,670)	–	–	(8,820)	(32,321)	–	–	(51,811)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	3,911	3,911
Accrued interest	–	–	–	7,976	–	–	596	8,572
Dividend declared	–	–	–	–	32,321	–	–	32,321
Discount or premium amortisation	7,042	(88)	(278)	–	–	–	–	6,676
Fair value adjustments	–	43	179	–	–	262	–	484
Exchange difference	(31)	(1,245)	(2,517)	–	–	(90)	–	(3,883)
At 31 December 2020	144,816	19,084	194,775	1,985	26	23,047	14,242	397,975

Note： Including financial liabilities designated at fair value through profit or loss.

(c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2021 and 2020.

56. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography.

(1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

(3) Other Business

Other business includes: property leasing and businesses operated by subsidiaries other than CMB WLB, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2021 and 2020. Internal transactions are conducted at fair value.

56. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
External net interest income	18,923	16,828	135,412	124,362	49,584	43,841	203,919	185,031
Internal net interest income/(expense)	69,222	65,461	(18,571)	(21,019)	(50,651)	(44,442)	–	–
Net interest income	88,145	82,289	116,841	103,343	(1,067)	(601)	203,919	185,031
Net fee and commission income	24,807	24,017	60,155	51,426	9,485	4,043	94,447	79,486
Other net income	20,943	15,723	2,018	1,519	6,050	5,639	29,011	22,881
Operating income	133,895	122,029	179,014	156,288	14,468	9,081	327,377	287,398
Operating expenses								
– Property, equipment and investment properties depreciation	(1,917)	(1,722)	(2,860)	(2,653)	(4,080)	(3,340)	(8,857)	(7,715)
– Right-of-use assets depreciation	(1,672)	(1,722)	(2,367)	(2,484)	(220)	(210)	(4,259)	(4,416)
– Other	(40,772)	(34,831)	(56,451)	(50,677)	(6,540)	(5,175)	(103,763)	(90,683)
Reportable segment profit before impairment losses	89,534	83,754	117,336	100,474	3,628	356	210,498	184,584
Expected credit losses and impairment losses on other assets	(25,946)	(28,317)	(39,627)	(36,640)	(782)	(68)	(66,355)	(65,025)
Share of profits of associates and joint ventures	–	–	–	–	4,030	2,881	4,030	2,881
Reportable segment profit before taxation	63,588	55,437	77,709	63,834	6,876	3,169	148,173	122,440
Capital expenditure (note(i))	2,278	2,550	3,278	3,738	18,206	10,835	23,762	17,123

	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Reportable segment assets	4,954,212	4,489,868	2,908,405	2,617,109	1,286,507	1,163,007	9,149,124	8,269,984
Of which: Interest in associates and joint ventures	–	–	–	–	23,654	14,922	23,654	14,922
Reportable segment liabilities	4,980,618	4,477,918	2,329,192	2,075,680	972,858	994,548	8,282,668	7,548,146

Note:

(i) Capital expenditure represents the amount incurred for acquiring long-term segment assets.

56. Operating segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2021	2020
Operating income for reportable segments	327,377	287,398
Total profit before income tax for reportable segments	148,173	122,440

	31 December 2021	31 December 2020
Assets		
Total assets for reportable segments	9,149,124	8,269,984
Goodwill	9,954	9,954
Intangible assets	571	629
Deferred tax assets	81,639	72,893
Other unallocated assets	7,733	7,988
Consolidated total assets	9,249,021	8,361,448
Liabilities		
Total liabilities for reportable segments	8,282,668	7,548,146
Tax payable	22,491	18,648
Deferred tax liabilities	1,353	1,073
Other unallocated liabilities	76,828	63,227
Consolidated total liabilities	8,383,340	7,631,094

56. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in Mainland China. The Group also has branches operating in Hong Kong, New York, Singapore, London, Sydney and Luxembourg, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in Beijing, New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the geographical location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

- "Headquarter" refers to the Group headquarter and credit card centres;
- "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;
- "Bohai Rim region" refers to branches and representative offices in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;
- "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;
- "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;
- "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;
- "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;
- "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and
- "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBICHC, CMBFLC, CMFM, CMBWM, CMB Europe S.A. and CIGNA & CMAM, etc.

	Total assets		Total liabilities		Non-current assets		Profit before tax		Operating income	
Geographical information	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	2021	2020	2021	2020
Headquarter	**4,155,509**	3,779,914	**3,492,876**	3,249,998	**51,220**	40,757	**42,939**	19,611	**145,403**	124,809
Yangtze River Delta region	**1,199,329**	1,045,508	**1,177,342**	1,026,332	**6,198**	6,149	**24,092**	24,297	**41,451**	35,897
Bohai Rim region	**725,595**	640,583	**711,389**	625,403	**4,319**	4,525	**17,971**	19,829	**31,286**	28,261
Pearl River Delta and West Coast region	**997,986**	896,144	**979,018**	871,249	**4,432**	4,263	**22,252**	21,606	**35,379**	32,588
Northeast region	**169,282**	165,961	**166,933**	164,666	**1,617**	1,790	**2,919**	1,854	**6,108**	5,785
Central region	**567,191**	513,998	**559,499**	504,742	**3,958**	4,132	**9,744**	12,227	**19,448**	18,040
Western region	**590,272**	517,523	**580,623**	508,471	**3,877**	4,150	**12,191**	11,611	**20,192**	18,321
Overseas	**210,633**	220,214	**208,569**	215,032	**861**	1,053	**1,575**	1,650	**2,632**	2,830
Subsidiaries	**633,224**	581,603	**507,091**	465,201	**61,382**	53,017	**14,490**	9,755	**25,478**	20,867
Total	**9,249,021**	8,361,448	**8,383,340**	7,631,094	**137,864**	119,836	**148,173**	122,440	**327,377**	287,398

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2021	2020
Borrowing from central banks	**159,357**	329,611
Placements from Banks and other financial institutions	**7,517**	7,080
Amounts sold under repurchase agreements	**157,572**	142,881
Subtotal	**324,446**	479,572
Assets pledged		
– Financial assets at fair value through profit or loss	**29,241**	11,291
– Debt investments at amortised cost	**195,166**	345,302
– Debt investments at fair value through other comprehensive income	**34,441**	35,787
– Loans and advances to customers	**81,357**	120,238
Total	**340,205**	512,618

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

58. Contingent liabilities and commitments

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Irrevocable guarantees	197,208	7,353	254	204,815
Of which: Financial guarantees	52,198	6,337	3	58,538
Non-financing letters of guarantees	145,010	1,016	251	146,277
Irrevocable letters of credit	162,320	1,711	188	164,219
Bills of acceptances	339,155	5,684	790	345,629
Irrevocable loan commitments	141,727	4,896	2	146,625
– with an original maturity within 1 year (inclusive)	26,611	–	2	26,613
– with an original maturity over 1 year	115,116	4,896	–	120,012
Credit card unused commitments	1,231,831	7,903	122	1,239,856
Other	126,995	1,555	–	128,550
Total	2,199,236	29,102	1,356	2,229,694

58. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Irrevocable guarantees	212,580	508	265	213,353
Of which: Financial guarantees	95,914	399	3	96,316
Non-financing letters of guarantees	116,666	109	262	117,037
Irrevocable letters of credit	120,748	241	3	120,992
Bills of acceptances	265,213	1,671	292	267,176
Irrevocable loan commitments	209,483	3,132	45	212,660
– with an original maturity within 1 year (inclusive)	120,671	198	45	120,914
– with an original maturity over 1 year	88,812	2,934	–	91,746
Credit card unused commitments	1,128,152	6,468	113	1,134,733
Other	100,419	–	–	100,419
Total	2,036,595	12,020	718	2,049,333

As at 31 December 2021, the Group's irrevocable letters of credit included sight letters of credit of RMB16,974 million (31 December 2020: RMB12,965 million), usance letters of credit of RMB9,552 million (31 December 2020: RMB6,516 million), and other commitments of RMB137,693 million (31 December 2020: RMB101,511 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches, subsidiaries and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB4,441,835 million at 31 December 2021 (31 December 2020: RMB3,606,998 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group will not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above contingent liabilities and commitments.

	2021	2020
Credit risk weighted amounts of contingent liabilities and commitments	**593,062**	470,782

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to calculate those that are not eligible for the Internal Ratings-Based Approach.

58. Contingent liabilities and commitments *(continued)*

(b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2021	2020
– Contracted for	**480**	507
– Authorised but not contracted for	**234**	294
Total	**714**	801

The lease commitments of the Group as a lessor are detailed in note 58 (e).

(c) Outstanding litigations

At 31 December 2021, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB1,678 million (2020: RMB573 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the consolidated financial statements.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2021	2020
Redemption obligations	**30,020**	27,095

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2021	2020
Operating lease commitments	**13,750**	10,419
Financial lease commitments	**7,421**	1,884
Total	**21,171**	12,303

59. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2021	2020
Entrusted loans	**263,589**	264,107
Entrusted funds	**(263,589)**	(264,107)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	2021	2020
Funds received from customers under wealth management services	**2,683,636**	2,386,085

Note: Funds received from customers under wealth management services are the funds received from customers under unconsolidated non-principal-guaranteed wealth management services.

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balance of entrusted funds was as follows:

	2021	2020
Entrusted management of insurance funds	**86,098**	–

60. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the credit risk management of corporate financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks migrating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of loan classification, the Group adopts a risk based loan classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of loan classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation. During the reporting period, the Group further deepened the application of the early warning signal and improved the ability of the model to distinguish risks.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the loan classification is special-mentioned; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the loan classification is special-mentioned; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

The Group has made deferred repayment and interest payment arrangements for some debtors affected by the COVID-19. However, the deferred repayment and interest payment arrangements will not directly lead to the conclusion that the debtors' credit risk has increased significantly. Instead, the Group will make a comprehensive judgement based on the risk indicators.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired when its loan classification is substandard, doubtful or loss (debt instruments with more than 90 days overdue are included in these 3 categories).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. During the reporting period, in addition to the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Broad Money Supply ("M2"), the Group expands its macroeconomic index database by including various categories of indicators such as industry index, interest and exchange rate, and survey index. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group will firstly refer to the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario. If there is no external forecasts, the Group will refer to the forecasts issued by the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts adopted by the Group for 2022 under the baseline scenario are 5.34% (2021: 8.84%) and 2.43% (2021: 2.11%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2021 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2021 will decrease by approximately 3.4% compared to the current result (at 31 December 2020: will decrease by approximately 1%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2021 will increase by approximately 1.5% compared to the current result (at 31 December 2020: will increase by approximately 2.5%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

As the COVID-19 is still evolving, the Group's expected credit loss model as at 31 December 2021 fully reflected the impact of the COVID-19 on the macroeconomic environment through continuous updating of internal and external data, model optimisation and other measures.

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the loan classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements is the carrying amount of the relevant financial assets (including derivatives) as disclosed in the consolidated statement of financial position and the contract amount of the irrevocable credit commitments disclosed in Note 58(a). At 31 December 2021, the amount of the Group's maximum credit risk exposure was RMB11,235,033 million (31 December 2020: RMB10,192,927 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB16,517 million as at 31 December 2021 (31 December 2020: RMB24,878 million).

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(viii) Credit quality of debt investments

At the end of the reporting period, the analysis of the credit quality of debt investments by designated external credit assessment institution, Standard & Poor's, is as follows:

	2021	2020
Impaired gross amount of debt investments	340	710
Impairment allowances	(228)	(428)
Subtotal	112	282
Neither overdue nor impaired		
AAA	1,345,363	823,893
AA+ to AA-	29,468	242,828
A+ to A-	422,427	398,206
Lower than A-	28,415	83,314
Unrated	57,994	50,525
Impairment allowances	(10,935)	(7,047)
Subtotal	1,872,732	1,591,719
Total	1,872,844	1,592,001

Note 1: Bonds issued by the governments and policy banks held by the Group amounted to RMB1,596,105 million as at 31 December 2021 (31 December 2020: RMB1,290,843 million).

Note 2: The impairment allowances above is for debt investments at amortised cost only.

(ix) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2021	2020
Estimate of the fair value of collateral and other credit enhancements held against – Loans and advances to customers	4,124	7,358

(x) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	4,517,239	76,286	53,615	4,647,140
Net changes for the year	468,264	(4,154)	(1,093)	463,017
Transfer to				
– Stage 1	20,436	(20,293)	(143)	–
– Stage 2	(69,411)	69,966	(555)	–
– Stage 3	(23,692)	(10,451)	34,143	–
Write-offs	–	–	(35,105)	(35,105)
Balance as at the end of the year	4,912,836	111,354	50,862	5,075,052

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(x) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Loans and advances measured at amortised cost: *(continued)*

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	4,088,065	80,141	52,565	4,220,771
Net changes for the year	471,854	(8,929)	7,178	470,103
Transfer to				
– Stage 1	10,882	(10,782)	(100)	–
– Stage 2	(31,708)	32,735	(1,027)	–
– Stage 3	(21,854)	(16,879)	38,733	–
Write-offs	–	–	(43,734)	(43,734)
Balance as at the end of the year	4,517,239	76,286	53,615	4,647,140

Debt investments at amortised cost:

	2021			
	–Stage 1 (12-month ECL)	**–Stage 2 (Lifetime ECL-not credit-impaired)**	**–Stage 3 (Lifetime ECL-credit-impaired)**	**Total**
Balance as at the beginning of the year	**1,044,826**	**971**	**14,590**	**1,060,387**
Net changes for the year	**140,141**	**(656)**	**9,487**	**148,972**
Transfer to				
– Stage 1	**–**	**–**	**–**	**–**
– Stage 2	**(1,647)**	**1,647**	**–**	**–**
– Stage 3	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**–**
Balance as at the end of the year	**1,183,320**	**1,962**	**24,077**	**1,209,359**

	2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit-impaired)	Total
Balance as at the beginning of the year	916,206	580	4,681	921,467
Net changes for the year	129,902	(29)	10,869	140,742
Transfer to				
– Stage 1	–	–	–	–
– Stage 2	(420)	420	–	–
– Stage 3	(862)	–	862	–
Write-offs	–	–	(1,822)	(1,822)
Balance as at the end of the year	1,044,826	971	14,590	1,060,387

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xi) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 22, note 23(b) and 60(a)(x)respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in note 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2021							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Balances with central banks	553,655	–	–	553,655	–	–	–	–
Balances with banks and other financial institutions	80,653	–	11	80,664	(367)	–	(11)	(378)
Placements with banks and other financial institutions	196,245	106	–	196,351	(2,859)	(1)	–	(2,860)
Amounts held under resale agreements	528,424	–	140	528,564	(4,123)	–	(140)	(4,263)
Debt investments at FVTOCI	626,007	2,236	112	628,355	(4,700)	(875)	(1,047)	(6,622)

	2020							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit-impaired)	Total
Balances with central banks	525,118	–	–	525,118	–	–	–	–
Balances with banks and other financial institutions	103,437	–	11	103,448	(266)	–	(11)	(277)
Placements with banks and other financial institutions	225,411	1,105	–	226,516	(345)	(31)	–	(376)
Amounts held under resale agreements	286,739	–	140	286,879	(603)	–	(140)	(743)
Debt investments at FVTOCI	510,011	14	282	510,307	(2,915)	–	(1,099)	(4,014)

Note: The balances disclosed above do not include interest receivable.

60. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk management of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(3) Assets and liabilities by original currency are shown as follows:

	2021						
	Equivalent in RMB					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	487,777	57,919	18,482	2,787	566,965	9,089	22,611
Amounts due from banks and other financial institutions	668,673	108,887	12,162	8,356	798,078	17,085	14,879
Loans and advances to customers	4,992,946	156,000	141,605	34,960	5,325,511	24,478	173,238
Financial investments (including derivative financial assets)	2,037,147	108,939	20,348	10,081	2,176,515	17,095	24,893
Other assets	254,488	111,972	10,513	4,979	381,952	17,569	12,862
Total	8,441,031	543,717	203,110	61,163	9,249,021	85,316	248,483
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,115,553	108,820	4,894	9,327	1,238,594	17,075	5,988
Deposits from customers	5,830,585	346,349	129,300	40,844	6,347,078	54,346	158,184
Financial liabilities at FVTPL (including derivative financial liabilities)	71,041	18,554	1,438	10	91,043	2,911	1,759
Debt securities issued	390,550	50,425	221	3,345	444,541	7,912	270
Other liabilities	235,507	16,336	9,317	924	262,084	2,565	11,399
Total	7,643,236	540,484	145,170	54,450	8,383,340	84,809	177,600
Net position	797,795	3,233	57,940	6,713	865,681	507	70,883
Net off-balance sheet position:							
Credit commitments (note (i))	2,117,722	71,179	24,448	16,345	2,229,694	11,169	29,909
Derivatives:							
– forward purchased	459,207	451,419	8,554	16,144	935,324	70,833	10,465
– forward sold	(388,786)	(395,153)	(10,651)	(9,748)	(804,338)	(62,004)	(13,030)
– net currency option position	(93,522)	38,175	8	3,059	(52,280)	5,990	10
Total	(23,101)	94,441	(2,089)	9,455	78,706	14,819	(2,555)

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

	2020						
	Equivalent in RMB					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	482,885	31,302	21,446	2,573	538,206	4,786	25,419
Amounts due from banks and other financial institutions	430,766	142,362	26,582	15,737	615,447	21,769	31,507
Loans and advances to customers	4,423,821	193,624	134,443	42,814	4,794,702	29,606	159,350
Financial investments (including derivative financial assets)	1,955,095	98,394	27,110	14,111	2,094,710	15,045	32,132
Other assets	211,776	89,613	13,099	3,895	318,383	13,701	15,525
Total	7,504,343	555,295	222,680	79,130	8,361,448	84,907	263,933
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,222,006	90,234	13,122	10,011	1,335,373	13,798	15,553
Deposits from customers	5,079,939	354,012	158,228	36,157	5,628,336	54,132	187,541
Financial liabilities at FVTPL (including derivative financial liabilities)	80,802	26,958	2,432	220	110,412	4,122	2,883
Debt securities issued	291,536	48,293	902	3,425	344,156	7,384	1,069
Other liabilities	185,522	15,592	8,523	3,180	212,817	2,384	10,102
Total	6,859,805	535,089	183,207	52,993	7,631,094	81,820	217,148
Net position	644,538	20,206	39,473	26,137	730,354	3,087	46,785
Net off-balance sheet position:							
Credit commitments (note (i))	1,920,009	89,591	21,901	17,832	2,049,333	13,699	25,958
Derivatives:							
– forward purchased	524,948	499,708	19,346	13,595	1,057,597	76,410	22,930
– forward sold	(449,079)	(425,752)	(13,061)	(26,723)	(914,615)	(65,102)	(15,481)
– net currency option position	(46,676)	20,570	18	45,821	19,733	3,145	21
Total	29,193	94,526	6,303	32,693	162,715	14,453	7,470

Notes:

(i) Credit commitments generally expire before they are drawn down, therefore the above net position does not represent the future cash outflows.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2021 and 31 December 2020.

	2021		2020	
Change in foreign currency exchange rate	Down by 1%	Up by 1%	Down by 1%	Up by 1%
(Decrease)/increase in net profit	(79)	79	(232)	232
(Decrease)/increase in equity	(262)	262	(402)	402

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(1) Trading book (continued)

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the board of directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, pressure test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

The Group has established the governance and management framework according to the interest rate risk management policy for the banking book, which specifies the roles, responsibilities and reporting lines of the board of directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is centrally managed by the Asset and Liability Management Department. Internal Audit Department is responsible for auditing this.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group conducts stress test on interest rate risk of banking book on a monthly basis. The results of stress test throughout the year of 2021 showed that the interest rate risk of banking book of the Bank was generally stable with various indicators staying within the set limits.

The preference of the Group in respect of the interest rate risk in the banking book is neutrally prudent. Based on the risk measurement and monitoring results, the Group will propose the corresponding risk management policy at the regular meetings and through the reporting mechanism of the Assets and Liabilities Management Committee. Assets and Liabilities Management Department is responsible for its implementation. The key measures for risk management include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and the utilisation of off-balance sheet derivative to offset risk exposure.

The Group measures and monitors interest rate risk of banking book through the asset and liability management system. Major models and parameter assumptions used in the measurement are verified independently by the Risk Management Department before official use and reviewed and verified regularly after official use.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	2021					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	566,965	553,655	–	–	–	13,310
Amounts due from banks and other financial institutions	798,078	723,941	63,581	10,507	49	–
Loans and advances to customers (note (i))	5,325,511	2,134,671	2,750,245	376,357	64,238	–
Financial investments (including derivative financial assets)	2,176,515	159,659	288,349	884,079	795,611	48,817
Other assets (note (ii))	381,952	–	–	–	–	381,952
Total assets	9,249,021	3,571,926	3,102,175	1,270,943	859,898	444,079
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,238,594	1,081,661	149,900	6,311	722	–
Deposits from customers	6,347,078	4,820,271	718,509	804,755	348	3,195
Financial liabilities at FVTPL (including derivative financial liabilities)	91,043	1,428	2,075	8,177	158	79,205
Lease liabilities	13,812	1,042	2,989	8,153	1,628	–
Debt securities issued	444,541	96,239	220,608	88,974	38,720	–
Other liabilities (note (ii))	248,272	84	–	–	–	248,188
Total liabilities	8,383,340	6,000,725	1,094,081	916,370	41,576	330,588
Asset-liability gap	865,681	(2,428,799)	2,008,094	354,573	818,322	113,491

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. (continued)

	2020					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	538,206	525,118	–	–	–	13,088
Amounts due from banks and other financial institutions	615,447	524,010	87,213	3,840	384	–
Loans and advances to customers (note (i))	4,794,702	1,861,076	2,496,358	365,315	71,953	–
Financial investments (including derivative financial assets)	2,094,710	351,146	369,495	781,707	524,737	67,625
Other assets (note (ii))	318,383	–	–	–	–	318,383
Total assets	8,361,448	3,261,350	2,953,066	1,150,862	597,074	399,096
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,335,373	952,312	351,961	14,152	3,619	13,329
Deposits from customers	5,628,336	4,387,216	599,077	638,419	292	3,332
Financial liabilities at FVTPL (including derivative financial liabilities)	110,412	460	6,336	8,367	130	95,119
Lease liabilities	14,242	1,015	2,805	8,577	1,845	–
Debt securities issued	344,156	110,389	105,553	120,655	7,559	–
Other liabilities (note (ii))	198,575	763	15	–	4	197,793
Total liabilities	7,631,094	5,452,155	1,065,747	790,170	13,449	309,573
Asset-liability gap	730,354	(2,190,805)	1,887,319	360,692	583,625	89,523

Notes: (i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2021 and 31 December 2020, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2021 and 31 December 2020.

	2021		2020	
Change in interest rates (in basis points)	**Up by 25**	**Down by 25**	**Up by 25**	**Down by 25**
(Decrease)/increase in net interest income	**(3,605)**	**3,605**	(3,266)	3,266
(Decrease)/increase in equity	**(6,830)**	**6,927**	(5,373)	5,444

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

60. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors discharges responsibilities in liquidity risk management on behalf of the board of directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the board of directors. Assets and Liabilities Committee (ALCO), under the authority of the senior management, exercises the corresponding liquidity risk management functions. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO, and is responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2021								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	79,129	–	–	–	–	–	487,836	–	566,965
Amounts due from banks and other financial institutions	59,862	601,897	60,072	65,405	10,793	49	–	–	798,078
Loans and advances to customers	20,719	545,165	368,482	1,333,756	1,387,033	1,650,468	–	19,888	5,325,511
Financial investments and derivative financial assets (note (ii))	4,058	88,783	60,315	304,846	912,392	795,813	10,071	237	2,176,515
– Financial investments at FVTPL (including derivative financial assets)	4,058	67,589	31,524	95,228	134,821	35,217	3,076	–	371,513
– Debt investments at amortised cost	–	8,882	11,185	133,930	425,327	590,091	–	237	1,169,652
– Debt investments at FVTOCI	–	12,312	17,606	75,688	352,244	170,505	–	–	628,355
– Equity investments designated at FVTOCI	–	–	–	–	–	–	6,995	–	6,995
Other assets (note (iv))	103,999	10,432	13,946	14,551	14,891	6,107	214,113	3,913	381,952
Total assets	267,767	1,246,277	502,815	1,718,558	2,325,109	2,452,437	712,020	24,038	9,249,021
Borrowing from central banks and amounts due to banks and other financial institutions	627,957	313,745	122,210	153,551	18,350	2,781	–	–	1,238,594
Deposits from customers (note (iii))	4,185,788	315,077	316,452	719,506	809,176	1,079	–	–	6,347,078
Financial liabilities at FVTPL (including derivative financial liabilities)	12,942	13,301	11,720	13,740	20,629	18,711	–	–	91,043
Lease liabilities	–	506	536	2,989	8,153	1,628	–	–	13,812
Debt securities issued	–	21,181	70,472	222,647	88,974	41,267	–	–	444,541
Other liabilities (note (iv))	160,991	37,159	15,455	24,744	9,404	519	–	–	248,272
Total liabilities	4,987,678	700,969	536,845	1,137,177	954,686	65,985	–	–	8,383,340
(Short)/long position	(4,719,911)	545,308	(34,030)	581,381	1,370,423	2,386,452	712,020	24,038	865,681

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2020								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	60,560	–	–	–	–	–	477,646	–	538,206
Amounts due from banks and other financial institutions	91,125	369,355	62,201	88,213	4,169	384	–	–	615,447
Loans and advances to customers	12,178	488,169	311,334	1,201,347	1,298,657	1,469,872	–	13,145	4,794,702
Financial investments and derivative financial assets (note (ii))	5,409	183,039	135,457	383,294	842,201	535,708	7,710	1,892	2,094,710
– Financial investments at FVTPL (including derivative financial assets)	5,409	173,666	63,803	203,872	77,242	18,432	571	–	542,995
– Debt investments at amortised cost	–	2,270	31,937	110,511	467,217	420,686	–	1,648	1,034,269
– Debt investments at FVTOCI	–	7,103	39,717	68,911	297,742	96,590	–	244	510,307
– Equity investments designated at FVTOCI	–	–	–	–	–	–	7,139	–	7,139
Other assets (note (iv))	70,325	6,035	9,720	7,170	26,015	5,842	190,006	3,270	318,383
Total assets	239,597	1,046,598	518,712	1,680,024	2,171,042	2,011,806	675,362	18,307	8,361,448
Borrowing from central banks and amounts due to banks and other financial institutions	542,955	251,299	171,884	351,464	14,152	3,619	–	–	1,335,373
Deposits from customers (note (iii))	3,704,751	326,452	354,084	600,093	642,047	909	–	–	5,628,336
Financial liabilities at FVTPL (including derivative financial liabilities)	14,264	8,777	10,745	32,994	20,374	23,258	–	–	110,412
Lease liabilities	–	527	488	2,805	8,577	1,845	–	–	14,242
Debt securities issued	–	61,167	45,304	105,552	124,574	7,559	–	–	344,156
Other liabilities (note (iv))	99,722	48,613	15,632	25,081	8,895	632	–	–	198,575
Total liabilities	4,361,692	696,835	598,137	1,117,989	818,619	37,822	–	–	7,631,094
(Short)/long position	(4,122,095)	349,763	(79,425)	562,035	1,352,423	1,973,984	675,362	18,307	730,354

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.

(ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.

(iii) Deposits from customers that are repayable on demand include matured time deposits which are pending for customers' instructions.

(iv) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, financial liabilities, lease liabilities and gross loan commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments and lease liabilities may vary significantly from this analysis.

	2021									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	566,965	566,965	79,129	–	–	–	–	–	487,836	–
Amounts due from banks and other financial institutions	798,078	800,869	59,862	602,201	62,062	65,229	11,466	49	–	–
Loans and advances to customers	5,325,511	6,680,629	20,719	560,371	398,738	1,503,759	1,831,318	2,345,796	–	19,928
Financial investments	2,153,125	2,540,798	3,715	90,330	67,149	339,704	1,050,476	979,116	10,071	237
– Financial investments at FVTPL	348,123	355,501	3,715	64,405	28,852	90,837	127,527	37,089	3,076	–
– Debt investments at amortised cost	1,169,652	1,453,059	–	12,008	17,405	159,993	529,031	734,385	–	237
– Debt investments at FVTOCI	628,355	725,243	–	13,917	20,892	88,874	393,918	207,642	–	–
– Equity investments designated at FVTOCI	6,995	6,995	–	–	–	–	–	–	6,995	–
Other assets	154,308	154,308	102,918	9,891	13,745	13,795	1,848	528	7,670	3,913
Total	8,997,987	10,743,569	266,343	1,262,793	541,694	1,922,487	2,895,108	3,325,489	505,577	24,078
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,238,594	1,245,870	628,157	315,523	123,610	156,000	19,668	2,912	–	–
Deposits from customers	6,347,078	6,500,805	4,215,760	318,932	323,909	754,023	887,030	1,151	–	–
Financial liabilities at FVTPL	63,761	64,232	12,926	10,408	7,387	4,748	10,068	18,695	–	–
Lease liabilities	13,812	15,087	–	511	545	3,080	8,974	1,977	–	–
Debt securities issued	444,541	459,323	–	22,002	70,839	226,189	94,221	46,072	–	–
Other liabilities	158,091	158,091	74,533	36,128	15,454	23,052	8,406	518	–	–
Total	8,265,877	8,443,408	4,931,376	703,504	541,744	1,167,092	1,028,367	71,325	–	–
Gross loan commitments	–	1,386,481	1,386,481	–	–	–	–	–	–	–

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2020									
	Carrying amount	Total	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and Balances with central banks	538,206	538,206	60,560	–	–	–	–	–	477,646	–
Amounts due from banks and other financial institutions	615,447	617,381	98,748	369,529	55,856	88,847	4,017	384	–	–
Loans and advances to customers	4,794,702	6,066,759	12,178	506,096	350,584	1,372,740	1,700,755	2,109,999	–	14,407
Financial investments	2,047,438	2,513,915	5,196	266,655	155,314	464,750	1,031,094	579,923	9,091	1,892
– Financial investments at FVTPL	495,723	503,234	5,196	170,739	56,381	183,702	69,024	17,599	593	–
– Debt investments at amortised cost	1,034,269	1,350,789	–	50,876	40,743	185,488	603,526	467,772	736	1,648
– Debt investments at FVTOCI	510,307	652,753	–	45,040	58,190	95,560	358,544	94,552	623	244
– Equity investments designated at FVTOCI	7,139	7,139	–	–	–	–	–	–	7,139	–
Other assets	126,744	137,759	69,028	25,423	9,732	6,760	12,701	383	10,760	2,972
Total	**8,122,537**	**9,874,020**	**245,710**	**1,167,703**	**571,486**	**1,933,097**	**2,748,567**	**2,690,689**	**497,497**	**19,271**
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,335,373	1,346,594	543,102	252,465	174,326	357,759	15,160	3,782	–	–
Deposits from customers	5,628,336	5,696,986	3,704,881	316,664	350,989	617,139	706,355	958	–	–
Financial liabilities at FVTPL	60,351	61,043	14,219	6,308	1,098	7,413	8,828	23,177	–	–
Lease liabilities	14,242	15,705	–	524	484	2,836	9,586	2,275	–	–
Debt securities issued	344,156	366,059	–	61,274	45,680	111,340	139,139	8,626	–	–
Other liabilities	125,366	125,366	29,660	47,950	15,629	22,876	8,619	632	–	–
Total	**7,507,824**	**7,611,753**	**4,291,862**	**685,185**	**588,206**	**1,119,363**	**887,687**	**39,450**	**–**	**–**
Gross loan commitments	–	1,344,434	1,344,434	–	–	–	–	–	–	–

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by the CBIRC. The Group and the Bank submit required information to the CBIRC every quarter.

60. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2021, the Group's subsidiaries that were within the scope in respect of capital adequacy ratio calculation included: CMB WLB, CMBICHC, CMBFLC, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, the CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, the CBIRC implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets portfolios.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2021						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	567,612	823,679	1,240,265	4,966	2,636,522	11,831	(11,974)
Interest rate swaps	565,833	823,679	1,240,265	4,966	2,634,743	11,831	(11,974)
Bond futures	391	–	–	–	391	–	–
Bond options	1,388	–	–	–	1,388	–	–
Currency derivatives	647,081	506,850	29,615	1,052	1,184,598	10,041	(13,966)
Forwards	26,577	14,373	1,517	1,052	43,519	985	(164)
Foreign exchange swaps	485,140	357,685	20,086	–	862,911	7,530	(7,048)
Futures	587	1,157	–	–	1,744	–	–
Options	134,777	133,635	8,012	–	276,424	1,526	(6,754)
Other derivatives	134,230	5,424	277	–	139,931	1,472	(1,237)
Equity options purchased	62,094	907	–	–	63,001	344	–
Equity options written	62,094	907	–	–	63,001	–	(265)
Commodity trading swaps	10,001	3,475	60	–	13,536	1,128	(751)
Equity swaps	41	135	217	–	393	–	(221)
Cash flow hedge derivatives							
Interest rate derivatives	–	–	2,883	702	3,585	46	–
Interest rate swaps	–	–	2,883	702	3,585	46	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	191	967	581	–	1,739	–	(17)
Interest rate swaps	191	967	581	–	1,739	–	(17)
Currency derivatives	–	72	1,360	–	1,432	–	(88)
Foreign exchange swaps	–	72	1,360	–	1,432	–	(88)
Total	1,349,114	1,336,992	1,274,981	6,720	3,967,807	23,390	(27,282)

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	2020						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	561,831	1,232,396	1,499,175	2,913	3,296,315	12,568	(12,327)
Interest rate swaps	561,522	1,223,977	1,499,110	2,913	3,287,522	12,559	(12,318)
Bond forwards	–	–	65	–	65	6	(3)
Bond futures	89	9	–	–	98	–	–
Bond options	220	8,410	–	–	8,630	3	(6)
Currency derivatives	630,018	614,205	17,309	3,570	1,265,102	33,098	(36,220)
Forwards	58,155	31,280	1,452	2,703	93,590	1,691	(1,461)
Foreign exchange swaps	440,943	477,298	12,789	867	931,897	20,063	(20,136)
Futures	17	706	–	–	723	–	–
Options	130,903	104,921	3,068	–	238,892	11,344	(14,623)
Other derivatives	5,924	138,635	631	-	145,190	1,538	(1,451)
Equity options purchased	488	67,353	–	–	67,841	490	–
Equity options written	488	67,353	–	–	67,841	–	(464)
Commodity trading swaps	4,948	3,929	631	–	9,508	1,048	(987)
Cash flow hedge derivatives							
Interest rate derivatives	32	1,030	2,871	819	4,752	–	(15)
Interest rate swaps	32	1,030	2,871	819	4,752	–	(15)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	471	909	1,358	–	2,738	–	(47)
Interest rate swaps	471	909	1,358	–	2,738	–	(47)
Currency derivatives	–	1,499	74	–	1,573	68	(1)
Foreign exchange swaps	–	1,499	74	–	1,573	68	(1)
Total	1,198,276	1,988,674	1,521,418	7,302	4,715,670	47,272	(50,061)

There was no ineffective portion of cash flow hedges during the years ended 31 December 2021 and 2020.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2021	2020
Default risk weighted assets of counterparties	**3,627**	9,644
Interest rate derivatives	**139**	266
Currency derivatives	**3,048**	5,574
Other derivatives	**440**	3,804
Credit valuation adjustment risk weighted assets	**2,382**	6,011
Total	**6,009**	15,655

Note: Since 2019, the Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amounts within the scope approved by the CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

A number of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The following tables present the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy when they occur.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the levels in the fair value hierarchy:

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	20,517	292,849	4,879	318,245
– Debt securities	19,102	127,411	373	146,886
– Long position in precious metal contracts	102	–	–	102
– Equity investments	1,180	2	3,727	4,909
– Fund investments	133	161,865	772	162,770
– Wealth management products	–	2,396	–	2,396
– Other	–	1,175	7	1,182
Financial investments designated at FVTPL	1,022	28,856	–	29,878
– Debt securities	1,022	28,856	–	29,878
Derivative financial assets	–	23,390	–	23,390
Loans and advances to customers at FVTPL	–	–	7,281	7,281
Debt investments at FVTOCI	127,847	508,191	–	636,038
Loans and advances to customers at FVTOCI	–	431,291	56,713	488,004
Equity investments designated at FVTOCI	2,269	–	4,726	6,995
Total	151,655	1,284,577	73,599	1,509,831
Liabilities				
Financial liabilities held for trading	16,832	185	–	17,017
– Financial liabilities related to precious metal	16,406	–	–	16,406
– Short position on bonds	426	185	–	611
Financial liabilities designated at FVTPL	19,569	19,028	8,147	46,744
– Placement of precious metal from financial institutions	11,596	–	–	11,596
– Certificates of deposit issued	–	377	–	377
– Debt securities issued	7,600	–	–	7,600
– Other	373	18,651	8,147	27,171
Derivative financial liabilities	–	27,282	–	27,282
Total	36,401	46,495	8,147	91,043

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	25,283	436,470	2,713	464,466
– Debt securities	24,267	121,780	456	146,503
– Long position in precious metal contracts	96	–	–	96
– Equity investments	836	836	1,738	3,410
– Fund investments	84	136,229	519	136,832
– Wealth management products	–	1,259	–	1,259
– Non-standard assets – Bills	–	175,303	–	175,303
– Other	–	1,063	–	1,063
Financial investments designated at FVTPL	2,618	28,625	14	31,257
– Debt securities	2,618	28,625	14	31,257
Derivative financial assets	–	47,272	–	47,272
Loans and advances to customers at FVTPL	–	–	6,856	6,856
Debt investments at FVTOCI	109,282	407,271	–	516,553
Loans and advances to customers at FVTOCI	–	331,070	44,289	375,359
Equity investments designated at FVTOCI	2,075	–	5,064	7,139
Total	139,258	1,250,708	58,936	1,448,902
Liabilities				
Financial liabilities held for trading	20,491	499	–	20,990
– Financial liabilities related to precious metal	20,361	–	–	20,361
– Short position on bonds	130	499	–	629
Financial liabilities designated at FVTPL	15,503	18,209	5,649	39,361
– Placement of precious metal from financial institutions	1,589	–	–	1,589
– Certificates of deposit issued	–	605	–	605
– Debt securities issued	13,914	–	–	13,914
– Other	–	17,604	5,649	23,253
Derivative financial liabilities	–	50,061	–	50,061
Total	35,994	68,769	5,649	110,412

During the years ended 31 December 2021 and 2020, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market, is measured by using the comprehensive valuations issued by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial assets is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of investment funds.

The fair value of loans and advances to customers at FVTOCI in Mainland China is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills. The fair value of loans and advances to customers at FVTOCI outside Mainland China is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of non-standard bills at FVTPL in Mainland China is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:

	Fair value as at 31 December 2021	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	873	Market approach	Liquidity discount, risk-adjusted discount rate
Equity investments designated at FVTOCI	3,853	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	7,281	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	56,713	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	3,491	Market approach	Liquidity discount
– Equity investments	12	Market approach (Price-to-Book Ratio)	Liquidity discount
– Equity investments	209	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	373	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	767	Net fund value approach	Net assets
– Fund investments	5	Market approach	Liquidity discount
– Other	7	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	664	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	7,483	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: *(continued)*

	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,200	Market approach	Liquidity discount
Equity investments designated at FVTOCI	3,864	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	6,856	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	44,289	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Debt securities	456	Discounted cash flow approach	Risk-adjusted discount rate
– Equity investments	1,738	Market approach	Liquidity discount
– Fund investments	502	Net fund value approach	Net assets
– Fund investments	17	Market approach	Liquidity discount
Financial investments designated at FVTPL	14	Discounted cash flow approach	Risk-adjusted discount rate
Financial liabilities designated at FVTPL	206	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	5,443	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2021	2,727	6,856	44,289	5,064	58,936
Profit or loss					
– In profit or loss	339	287	1,365	–	1,991
– In other comprehensive income	–	–	48	1,050	1,098
Addition for the year	1,832	143	118,229	721	120,925
Disposals or settlement on maturity	(68)	–	(107,218)	(2,158)	(109,444)
Exchange difference	49	(5)	–	49	93
At 31 December 2021	4,879	7,281	56,713	4,726	73,599
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	339	287	–	–	626

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2020	2,968	5,779	30,346	3,748	42,841
Profit or loss					
– In profit or loss	454	296	1,210	–	1,960
– In other comprehensive income	–	–	20	1,469	1,489
Addition for the year	539	796	86,003	82	87,420
Disposals or settlement on maturity	(1,106)	–	(73,290)	–	(74,396)
Exchange difference	(128)	(15)	–	(235)	(378)
At 31 December 2020	2,727	6,856	44,289	5,064	58,936
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	454	296	–	–	750

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: *(continued)*

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2021	2020
Balance as at 1 January	**5,649**	3,105
In profit or loss	**470**	402
Addition for the year	**3,105**	2,686
Disposals and settlement on maturity	**(860)**	(453)
Exchange difference	**(217)**	(91)
Balance as at 31 December	**8,147**	5,649
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	**419**	390

2) Transfers among different levels occurred during the reporting period, the reasons for theses transfers and the principle of determining the dates of transfers for financial instruments measured at fair value on recurring basis

During the years ended 31 December 2021 and 2020, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

3) Changes in valuation techniques and the reasons for the changes

During the years ended 31 December 2021 and 2020, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets mature within 1 year, and their carrying values approximate to their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to the PBOC benchmark interest rates or Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed investments is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2021					2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,169,652**	**1,235,725**	**6,659**	**1,097,435**	**131,631**	1,034,269	1,049,374	3,387	914,025	131,962

Note: The above financial assets do not include interest receivable.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2021					2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated notes issued	**34,236**	**35,173**	**–**	**35,173**	**–**	34,302	35,243	–	35,243	–
Long-term debt securities issued	**159,306**	**160,893**	**–**	**160,893**	**–**	146,559	149,115	–	149,115	–
Total	**193,542**	**196,066**	**–**	**196,066**	**–**	180,861	184,358	–	184,358	–

Note: The above financial liabilities do not include interest payable.

61. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(viii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSNCL)	Beijing	RMB7,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
– China Merchants Finance Investment Holdings Co., Ltd.	Shenzhen	RMB7,778 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Hong Xiaoyuan
– Best Winner Investment Co., Ltd.	British Virgin Islands	USD0.05 million	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Beijing	RMB11,000 million	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Xu Lirong
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Xu Lirong
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou Haining Maritime Technology Service Co., Ltd.	Guangzhou	RMB2 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Huang Biao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Wang Daxiong
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Ren Zhaoping

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	815,030,635	3.23% (note(iv))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Yu Hua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	815,030,635	3.23%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng
China Communications Construction Group Limited.	Beijing	RMB7,274 million	422,770,418	1.68% (note(v))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited.	Beijing	RMB16,175 million	301,089,738	1.19%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,599 million	310,125,822	1.23% (note(vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
Hebei Port Group Co., Ltd.	Qinhuangdao	RMB8,000 million	296,291,627	1.17% (note(vii))	–	Port construction and investment management, port leasing and maintenance business, handling and warehousing business etc.	Shareholder	Limited liability	Cao Ziyu
CMB International Capital Holdings Corporation Limited (CMBICHC)	Hong Kong	HKD4,129 million	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Tian Huiyu
CMB Financial Leasing Company Limited (CMBFLC)	Shanghai	RMB12,000 million	–	–	100%	Finance lease	Subsidiary	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	–	–	100%	Banking	Subsidiary	Limited liability	Zhu Qi
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,000 million	–	–	100%	Asset management	Subsidiary	Limited liability	Chen Yisong
CMB Europe S.A	Luxembourg	EUR50 million	–	–	100%	Banking	Subsidiary	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited	Beijing	RMB500 million	–	–	Note 24 (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG holds 29.97% of the Bank (2020: 29.97%) through its subsidiaries.

(ii) As the largest direct shareholder, CMSNCL, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2021 (2020: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (2020: 9.97%) through its subsidiaries.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.23% of the Bank (2020: 4.11%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.

(v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (2020:1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (2020: 1.23%).

(vii) Hebei Port Group Company Ltd. directly holds 1.17% of the Bank (2020: 1.17%).

(viii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2021 and 2020 are as follows:

Name of related party	2021	2020
CMG	**RMB16,900,000,000**	RMB16,900,000,000
CMSNCL	**RMB7,000,000,000**	RMB7,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	**RMB600,000,000**	RMB600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	**RMB600,000,000**	RMB600,000,000
China Merchants Finance Investment Holdings Co., Ltd.	**RMB7,778,000,000**	RMB7,777,800,000
Best Winner Investment Co., Ltd.	**USD50,000**	USD50,000
China Merchants Union (BVI) Ltd.	**USD60,000**	USD60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	**USD10,000,000**	USD10,000,000
China Insurance Security Fund Co., Ltd	**RMB100,000,000**	RMB100,000,000
Dajia Life Insurance Co., Ltd	**RMB30,790,000,000**	RMB30,790,000,000
China COSCO Shipping Corporation Limited.	**RMB11,000,000,000**	RMB11,000,000,000
China Ocean Shipping Co., Ltd.	**RMB16,191,351,300**	RMB16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	**RMB3,191,200,000**	RMB3,191,200,000
Guangzhou Haining Maritime Technology Service Co., Ltd.	**RMB2,000,000**	RMB2,000,000
COSCO Shipping (Shanghai) Co., Ltd.	**RMB1,398,941,000**	RMB1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	**HKD500,000,000**	HKD500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	**RMB299,020,000**	RMB299,020,000
China Communications Construction Group Limited.	**RMB7,274,023,830**	RMB7,274,023,830
China Communications Construction Company Limited	**RMB16,174,735,425**	RMB16,174,735,425
Shanghai Automotive Industry Corporation (Group)	**RMB21,599,175,737**	RMB21,599,175,737
SAIC Motor Corporation Limited	**RMB11,683,461,365**	RMB11,683,461,365
Hebei Port Group Co., Ltd.	**RMB8,000,000,000**	RMB8,000,000,000
CMBICHC	**HKD4,129,000,000**	HKD4,129,000,000
CMBFLC	**RMB12,000,000,000**	RMB6,000,000,000
CMB WLB	**HKD1,160,950,575**	HKD1,160,950,575
CMFM	**RMB1,310,000,000**	RMB1,310,000,000
CMBWM	**RMB5,000,000,000**	RMB5,000,000,000
CMB Europe S.A.	**EUR50,000,000**	EUR50,000,000
Cigna & CMB Asset Management Company Limited	**RMB500,000,000**	RMB500,000,000

The change of proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSNCL		CMBICHC		CMBFLC		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	RMB	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2021	**3,289,470,337**	**13.04**	**4,129,000,000**	**100.00**	**6,000,000,000**	**100.00**	**1,160,950,575**	**100.00**	**720,500,000**	**55.00**	**5,000,000,000**	**100.00**	**50,000,000**	**100.00**	**500,000,000**	**note**
Change	**–**	**–**	**–**	**–**	**6,000,000,000**	**100.00**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2021	**3,289,470,337**	**13.04**	**4,129,000,000**	**100.00**	**12,000,000,000**	**100.00**	**1,160,950,575**	**100.00**	**720,500,000**	**55.00**	**5,000,000,000**	**100.00**	**50,000,000**	**100.00**	**500,000,000**	**note**

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSNCL		CMBICHC		CMBFLC		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	RMB	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2020	3,289,470,337	13.04	4,129,000,000	100.00	6,000,000,000	100.00	1,160,950,575	100.00	720,500,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note
Change	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2020	3,289,470,337	13.04	4,129,000,000	100.00	6,000,000,000	100.00	1,160,950,575	100.00	720,500,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24.

As of 31 December 2021, other than those disclosed above, there were 265 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over the companies. (31 December 2020: 337).

61. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are set in accordance with such benchmark rates as PBOC rates and LPR:

	2021	2020
Short-term loans	**4.35%**	4.35%
Medium to long-term loans	**4.75% to 4.90%**	4.75% to 4.90%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the year (2020: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMSNCL and its related companies held 29.97% (2020: 29.97%) of the Bank's shares as at 31 December 2021 (among them 13.04% of the shares were directly held by CMSNCL (2020: 13.04%)).

The Group's transactions and balances with CMSNCL and its related companies are disclosed as follows:

	2021	2020
On-balance sheet:		
– Placements with banks and other financial institutions	**–**	3,000
– Amounts held under resale agreements	**13,967**	1,500
– Loans and advances to customers	**42,645**	37,411
– Financial investments	**1,147**	1,850
– Deposits from banks and other financial institutions	**29,755**	2,667
– Deposits from customers	**45,708**	82,558
– Lease liabilities	**186**	91
Off-balance sheet:		
– Irrevocable guarantees	**3,645**	3,615
– Irrevocable letters of credit	**251**	380
– Bills of acceptances	**188**	292
Interest income	**1,738**	1,228
Interest expense	**(1,599)**	(1,336)
Net fee and commission income	**669**	662
Operating expenses	**(42)**	(22)
Other net income/(expenses)	**38**	(22)

61. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies

	2021	2020
On-balance sheet:		
– Amounts held under resale agreements	285	485
– Loans and advances to customers	13,366	34,467
– Financial investments	595	733
– Deposits from banks and other financial institutions	11,137	1,266
– Amounts sold under repurchase agreements	–	410
– Deposits from customers	41,235	47,840
– Lease liabilities	73	–
Off-balance sheet:		
– Irrevocable guarantees	1,711	395
– Irrevocable letters of credit	46	22
– Bills of acceptances	225	56
Interest income	927	2,428
Interest expense	(984)	(259)
Net fee and commission income	273	719
Operating expenses	(1,654)	(1,349)
Other net income	7	8

(e) Associates and joint ventures other than those disclosed in Note 61(c)

	2021	2020
On-balance sheet:		
– Placements with banks and other financial institutions	14,500	14,500
– Loans and advances to customers	6,044	4,690
– Deposits from banks and other financial institutions	1,251	967
– Deposits from customers	693	387
Off-balance sheet:		
– Irrevocable guarantees	8,700	8,700
Interest income	516	594
Interest expense	(20)	(16)
Net fee and commission income	1,695	1,090
Operating expenses	(6)	(5)

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2021	2020
On-balance sheet:		
– Amounts held under resale agreements	399	–
– Loans and advances to customers	17,654	38,862
– Financial investments	2,512	2,478
– Deposits from banks and other financial institutions	7,502	5,467
– Deposits from customers	19,704	40,062
– Lease liabilities	46	16
Off-balance sheet:		
– Irrevocable guarantees	7,895	32,577
– Irrevocable letters of credit	337	823
– Bills of acceptances	5,068	5,454
Interest income	738	1,145
Interest expense	(585)	(529)
Net fee and commission income	1,411	1,811
Other net (expense)/income	(10)	122

61. Material related party transactions *(continued)*

(g) Subsidiaries

	2021	2020
On-balance sheet		
– Balances with banks and other financial institutions	1,950	4,072
– Placements with banks and other financial institutions	37,055	37,331
– Loans and advances to customers	–	477
– Financial investments	3,454	1,819
– Deposits from banks and other financial institutions	7,657	8,789
– Placements from banks and other financial institutions	–	4
– Amounts sold under repurchase agreements	816	668
– Deposits from customers	3,546	6,596
Off-balance sheet		
– Irrevocable letters of credit	1,998	1,048
– Bills of acceptances	81	113
Interest income	1,124	989
Interest expense	(258)	(195)
Net fee and commission	(1,294)	(3,031)
Operating expenses	(96)	(112)
Other net income	111	174

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

(h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2021 in thousands	2020 in thousands
Salaries and other emoluments	39,264	40,839
Discretionary bonuses	–	13,508
Share-based payment	17,312	30,290
Contributions to defined contribution retirement schemes	567	503
Total	57,143	85,140

The above share-based payments represent the estimated fair value of the share appreciation rights granted (Note 39(a)(iii)) to senior management under the Bank's H share Appreciation Rights Scheme. The fair value is measured by using the Black-Scholes model and according to the accounting policy set out in Note 4(17); and the amounts are charged to the consolidated statement of profit or loss and other comprehensive income. As the share options may expire without being exercised, the directors consider the amounts disclosed are not representative of actual cash flows received or to be received by senior management.

(i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2021 and 2020.

62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries. In the opinion of the directors of the Bank, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of US$170 million on 27 April 2017 and another perpetual debt of US$400 million on 24 January 2019. Movements of perpetual debt capital which were issued by CMB WLB are as follows:

	Principal	**Distributions/Paid**	**Total**
At 1 January 2021	**3,753**	**–**	**3,753**
Perpetual debt capital issued	**–**	**–**	**–**
Distributions in 2021	**–**	**227**	**227**
Paid in 2021	**–**	**(227)**	**(227)**
Exchange difference	**(117)**	**–**	**(117)**
At 31 December 2021	**3,636**	**–**	**3,636**

	Principal	Distributions/Paid	Total
At 1 January 2020	3,979	–	3,979
Perpetual debt capital issued	–	–	–
Distributions in 2020	–	234	234
Paid in 2020	–	(234)	(234)
Exchange difference	(226)	–	(226)
At 31 December 2020	3,753	–	3,753

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the years ended 31 December 2021 and 2020, CMB WLB did not cancel the payment of distribution and the corresponding amounts were paid to the perpetual debt holders accordingly.

63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year ended 31 December 2021, the Group transferred loans amounting to RMB56,068 million (2020: RMB72,001 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

63. Transfers of financial assets *(continued)*

Securitisation of credit assets *(continued)*

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2021, the carrying amount of the securitised credit assets at the time of transfer under the securitisation arrangements in which the Group retained a continuing involvement was RMB15,942 million (2020: RMB17,491 million). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability amounting to RMB5,274 million as at 31 December 2021 (2020: RMB3,128 million) are recognised in other assets and other liabilities in the consolidated statement of financial position.

Transfers of credit assets to third parties

During the year 2021, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB548 million (2020: RMB924 million) to independent third parties directly during the year ended 31 December 2021. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's equity information on structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2021 and 31 December 2020 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	2021				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVOCI	Total	Maximum exposure
Asset management schemes	–	76,978	–	76,978	76,978
Trust beneficiary rights	–	31,897	–	31,897	31,897
Asset-backed securities	2,537	307	1,205	4,049	4,049
Fund investments	156,112	–	–	156,112	156,112
Total	158,649	109,182	1,205	269,036	269,036

	2020				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	63,453	99,916	–	163,369	163,369
Trust beneficiary rights	–	37,663	–	37,663	37,663
Asset-backed securities	3,096	2,691	1,442	7,229	7,229
Fund investments	134,828	–	–	134,828	134,828
Wealth management products	34	–	–	34	34
Total	201,411	140,270	1,442	343,123	343,123

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset backed securities are the balance of these assets.

64. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. 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 of the Group in these unconsolidated structured entities is fees and commission charged for the services provided.

As at 31 December 2021, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,777,537 million (31 December 2020: RMB2,445,644 million).

As at 31 December 2021, the amount of unconsolidated funds sponsored by the Group was RMB1,085,813 million (31 December 2020: RMB785,489 million).

As at 31 December 2021, the amount of unconsolidated asset management schemes sponsored by the Group was RMB174,555 million (31 December 2020: RMB177,750 million).

As at 31 December 2021, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB30,896 million (31 December 2020: RMB48,898 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2021, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB 2,396 million (31 December 2020: RMB 1,225 million).

As at 31 December 2021, the amount of unconsolidated fund products held by the Group was RMB6,658 million (31 December 2020: RMB2,004 million).

During the year ended 31 December 2021, the amount of wealth management products sponsored by the Group transferred to investments measured at amortised cost of the Group was RMB11,004 million (2020: RMB12,629 million).

During the year ended 31 December 2021, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB11,998 million (2020: RMB10,162 million).

During the year ended 31 December 2021, the amount of fee and commission income the Group received from such unconsolidated funds was RMB4,223 million (2020: RMB2,330 million).

During the year ended 31 December 2021, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB627 million (2020: RMB537 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2021 with a maturity date before 31 December 2021 was RMB1,529,874 million (2020: RMB1,924,836 million).

65. Comparative figures

Certain comparative figures in the footnotes have been amended to conform to changes in disclosures in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	2021	2020
Core tier-1 capital adequacy ratio	**12.66%**	12.29%
Tier-1 capital adequacy ratio	**14.94%**	13.98%
Capital adequacy ratio	**17.48%**	16.54%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**67,491**	67,491
Surplus reserves	**82,104**	71,057
Regulatory general reserve	**115,288**	98,082
Retained earnings	**424,768**	365,168
Qualifying portion of non-controlling interests	**–**	282
Other (note (i))	**12,788**	7,361
Total core tier-1 capital	**727,659**	634,661
Regulatory deductions from core tier-1 capital	**23,322**	24,569
Net core tier-1 capital	**704,337**	610,092
Additional tier-1 capital (note (ii))	**127,043**	84,092
Net tier-1 capital	**831,380**	694,184
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**24,170**	28,340
Surplus provision for loans impairment	**115,472**	97,119
Qualifying portion of non-controlling interests	**1,584**	1,647
Total tier-2 capital	**141,226**	127,106
Regulatory deductions from core tier-2 capital		–
Net tier-2 capital	**141,226**	127,106
Net capital	**972,606**	821,290
Total risk-weighted assets	**5,563,724**	4,964,542

Notes:

(i) : Under CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), other includes investment revaluation reserve, exchange reserve, hedging reserve in the consolidated financial statements, etc.

(ii) : The Group's additional tier-1 capital includes preference shares, perpetual bonds, etc.

In 2021, in accordance with the advanced capital management approach approved by CBIRC in April 2014, the Bank calculated core tier-1 capital adequacy ratio is 12.15%, tier-1 capital adequacy ratio is 14.59%, capital adequacy ratio is 17.23 %, net capital is RMB875,859 million and total risk-weighted assets is RMB5,082,896 million.

In 2021, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Group's core tier-1 capital adequacy ratio is 11.17%, tier-1 capital adequacy ratio is 13.19%, capital adequacy ratio is 14.71%, net capital is RMB927,277 million and total risk-weighted assets is RMB6,303,544 million.

In 2021, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Bank's core tier-1 capital adequacy ratio is 10.60%, tier-1 capital adequacy ratio is 12.73%, capital adequacy ratio is 14.26%, net capital is RMB830,529 million and total risk-weighted assets is RMB5,824,290 million.

(B) Leverage ratio

In accordance with the CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	2021	2020
Total consolidated assets as per published financial statements	9,249,021	8,361,448
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(54,231)	(48,399)
Adjustments for fiduciary assets	–	–
Adjustments for derivative financial instruments	(8,526)	(18,274)
Adjustment for securities financing transactions	27,776	45,094
Adjustment for off-balance sheet items	1,204,181	1,079,726
Other adjustments	(23,322)	(24,569)
Balance of adjusted on-balance sheet and off-balance sheet assets	10,394,899	9,395,026

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet exposures and other information:

	2021	2020
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	8,647,884	7,983,402
Less: Asset amounts deducted in determining Basel III Tier 1 capital	(23,322)	(24,569)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	8,624,562	7,958,833
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	5,374	14,080
Add-on amounts for potential future exposure associated with all derivatives transactions	9,489	14,918
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	–	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
Less: Exempted central counterparty leg of client-cleared trade exposures	–	–
Effective notional amount of written credit derivatives	–	–
Less: Adjusted effective notional deductions for written credit derivatives	–	–
Total derivative exposures	14,863	28,998
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	523,517	282,375
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
Counterparty credit risk exposure for SFT assets	27,776	45,094
Agent transaction exposures	–	–
Total securities financing transaction exposures	551,293	327,469
Off-balance sheet exposure at gross notional amount	2,576,292	2,368,667
Less: Adjustments for conversion to credit equivalent amounts	(1,372,111)	(1,288,941)
Balance of adjusted off-balance sheet assets	1,204,181	1,079,726
Net tier-1 capital	831,380	694,184
Balance of adjusted on-balance sheet and off-balance sheet assets	10,394,899	9,395,026
Leverage ratio	8.00%	7.39%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average of liquidity coverage ratio of the Group was 164.82% in the fourth quarter of 2021, an increase of 20.71 percentage points from the previous quarter, mainly due to the increase in high quality liquid assets. The breakdown of the Group's average value of each item of liquidity coverage ratio in the fourth quarter of 2021 is set out below:

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**1,315,276**
Cash outflows			
2	Retail and small business customers deposits, of which:	2,379,673	210,446
3	Stable deposits	550,436	27,522
4	Less stable deposits	1,829,237	182,924
5	Unsecured wholesale funding, of which:	4,037,557	1,328,347
6	Operational deposits (excluding correspondent banks)	2,564,926	638,309
7	Non-operational deposits (including all counterparties)	1,454,047	671,454
8	Unsecured debt issuance	18,584	18,584
9	Secured funding	/	10,866
10	Additional requirements, of which:	1,727,728	422,626
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	345,429	345,429
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,382,299	77,197
14	Other contractual obligations to extend funds	73,126	73,126
15	Other contingent funding obligations	6,071,119	92,547
16	**Total cash outflows**		**2,137,958**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	297,686	297,226
18	Contractual inflows from fully performing loans	1,080,407	694,648
19	Other cash inflows	354,702	348,081
20	**Total cash inflows**	**1,732,795**	**1,339,955**

		Adjusted value
21	**Total stock of high quality liquid assets**	**1,315,276**
22	**Net cash outflows**	**798,003**
23	**Liquidity coverage ratio (%)**	**164.82%**

Note:

(i) The domestic data in the above table is a simple arithmetic average of the 92-day value for the latest quarter and the month-end average for the data of subsidiaries.

(ii) The high quality liquid assets in the above table are prepared based on the central bank reserve available under cash and pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on net stable funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The Group's net stable funding ratio at the end of the fourth quarter of 2021 was 123.88%, representing an increase of 5.01 percentage points as compared with the previous quarter, which was basically stable. The breakdown of the Group's net stable fund ratio in the last two quarters is set out below:

31 December 2021

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	861,035	–	–	20,000	881,035
2	Regulatory capital	849,335	–	–	20,000	869,335
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customer	1,916,922	684,121	50,334	5,224	2,421,524
5	Stable deposits	599,073	1,947	183	1,429	572,572
6	Less stable deposits	1,317,849	682,174	50,151	3,795	1,848,952
7	Wholesale funding	2,901,087	1,892,144	293,020	239,208	2,501,785
8	Operational deposits	2,598,197	–	–	–	1,299,099
9	Other wholesale funding	302,890	1,892,144	293,020	239,208	1,202,686
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	39,745	89,705	48,117	195,638	179,823
12	NSFR derivative liabilities				39,874	
13	All other liabilities and equity not included in the above categories	39,745	89,705	48,117	155,764	179,823
14	Total ASF					5,984,167
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					228,498
16	Deposits held at other financial institutions for operational purposes	39,853	8,329	–	–	24,091
17	Performing loans and securities	313	2,357,601	1,074,105	3,334,716	4,164,678
18	Performing loans to financial institutions secured by Level 1 HQLA	–	474,378	–	–	71,157
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	313	536,930	177,453	24,877	194,190
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,147,428	828,084	1,810,662	2,492,938
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	125,673	106,521	169,404	226,210
22	Performing residential mortgages, of which:	–	36,012	30,283	1,313,371	1,147,834
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	162,853	38,285	185,806	258,559
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	25,675	116,307	56,013	50,202	218,099

(D) Net stable funding ratio *(Continued)*

31 December 2021 *(Continued)*

Serial No.		Unweighted amount No maturity	< 6 months	6 months to 12 months	≥ 12 months	Weighted amount
Required stable funding (RSF) item *(continued)*						
27	Physical traded commodities, including gold	4,637				3,941
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				132	112
29	NSFR derivative assets				36,445	–
30	NSFR derivative liabilities before deduction of variation margin posted				8,164	8,164
31	All other assets not included in the above categories	21,038	116,307	56,013	13,625	205,882
32	Off-balance sheet items				4,724,177	195,227
33	Total RSF					4,830,593
34	Net Stable Funding Ratio (%)					123.88%

30 September 2021

Serial No.		Unweighted amount No maturity	< 6 months	6 months to 12 months	≥ 12 months	Weighted amount
Available stable funding (ASF) item						
1	Capital	789,164	–	–	20,000	809,164
2	Regulatory capital	777,464	–	–	20,000	797,464
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customer	1,770,522	656,819	37,436	7,618	2,254,186
5	Stable deposits	560,572	4,658	161	1,304	538,425
6	Less stable deposits	1,209,950	652,161	37,275	6,314	1,715,761
7	Wholesale funding	2,521,735	2,194,603	306,908	224,206	2,360,339
8	Operational deposits	2,454,091	–	–	–	1,227,046
9	Other wholesale funding	67,644	2,194,603	306,908	224,206	1,133,293
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	36,390	91,306	51,446	167,565	149,773
12	NSFR derivative liabilities				43,515	
13	All other liabilities and equity not included in the above categories	36,390	91,306	51,446	124,050	149,773
14	Total ASF					5,573,462
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					251,477
16	Deposits held at other financial institutions for operational purposes	50,698	5,142	–	–	27,920
17	Performing loans and securities	18,243	2,281,881	1,048,018	3,253,463	4,082,195
18	Performing loans to financial institutions secured by Level 1 HQLA	–	214,190	–	–	28,576
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	18,243	691,380	209,292	20,227	234,833
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,138,620	778,066	1,771,438	2,428,763
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	128,990	107,200	176,512	232,827

(D) Net stable funding ratio *(continued)*

30 September 2021 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	35,737	29,352	1,286,395	1,124,244
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	201,954	31,308	175,403	265,779
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	26,203	62,020	22,705	41,118	122,428
27	Physical traded commodities, including gold	4,098				3,483
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				162	138
29	NSFR derivative assets				37,304	–
30	NSFR derivative liabilities before deduction of variation margin posted				8,795	8,795
31	All other assets not included in the above categories	22,105	62,020	22,705	3,652	110,012
32	Off-balance sheet items				9,112,573	204,768
33	Total RSF					4,688,788
34	Net Stable Funding Ratio (%)					118.87%

Note:

(i) The Group calculates net stable funding ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" time include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) Currency concentrations other than RMB

	2021			
	USD	HKD (in millions of RMB)	Other	Total
Non-structural position				
Spot assets	**495,257**	**35,808**	**59,918**	**590,983**
Spot liabilities	**512,533**	**15,558**	**83,915**	**612,006**
Forward purchased	**491,072**	**4,528**	**56,172**	**551,772**
Forward written	**492,022**	**19,146**	**32,156**	**543,324**
Net option position	**13,086**	**361**	**417**	**13,864**
Net long position	**(5,140)**	**5,993**	**436**	**1,289**
Net structural position	**19,155**	**33,220**	**991**	**53,366**

	2020			
	USD	HKD (in millions of RMB)	Other	Total
Non-structural position				
Spot assets	514,789	42,491	76,940	634,220
Spot liabilities	498,529	27,393	70,538	596,460
Forward purchased	496,469	9,019	87,616	593,104
Forward written	512,955	14,274	89,931	617,160
Net option position	11,721	169	(2,754)	9,136
Net long position	11,495	10,012	1,333	22,840
Net structural position	9,537	31,120	1,005	41,662

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in subsidiaries.

(F) International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	2021			
	Banks and other financial institutions	**Public sector entities**	**Other**	**Total**
Foreign currencies transactions in Mainland China	**61,952**	**4,288**	**138,985**	**205,225**
Asia Pacific excluding Mainland China	**86,411**	**31,240**	**169,165**	**286,816**
– of which attributed to Hong Kong	**66,216**	**28,841**	**146,732**	**241,789**
Europe	**9,556**	**2,103**	**18,401**	**30,060**
North and South America	**25,361**	**54,449**	**18,010**	**97,820**
Total	**183,280**	**92,080**	**344,561**	**619,921**

	2020			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in Mainland China	71,342	6,050	111,106	188,498
Asia Pacific excluding Mainland China	65,102	35,237	150,158	250,497
– of which attributed to Hong Kong	37,344	33,862	135,236	206,442
Europe	7,936	1,175	19,162	28,273
North and South America	35,131	28,197	30,223	93,551
Total	179,511	70,659	310,649	560,819

(G) Further analysis on loans and advances to customers analysed by industry sector

Operation in Mainland China

	2021		2020	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Transportation, storage and postal services	412,417	47	381,898	42
Property development	367,642	52	342,667	53
Manufacturing	309,635	39	256,173	36
Production and supply of electric power, heating power, gas and water	187,611	47	161,777	39
Leasing and commercial services	170,009	26	143,805	28
Wholesale and retail	138,352	36	132,055	38
Construction	117,453	21	101,442	21
Water, environment and public utilities management	64,427	41	52,911	46
Telecommunications, software and IT services	58,267	44	54,491	35
Finance	57,988	28	74,892	43
Mining	28,854	32	31,097	31
Others	66,364	23	65,330	27
Corporate loans and advances subtotal	1,979,019	40	1,798,538	40
Discounted bills	431,305	100	327,479	100
Residential mortgage	1,364,534	100	1,264,466	100
Credit cards	840,254	–	746,560	–
Micro-finance loans	560,657	81	474,545	85
Others	173,527	16	156,713	25
Retail loans and advances subtotal	2,938,972	63	2,642,284	65
Gross loans and advances to customers	5,349,296	57	4,768,301	58

(G) Further analysis on loans and advances to customers analysed by industry sector *(Continued)*

Operation outside Mainland China

	2021		2020	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Finance	37,345	16	39,402	21
Property development	34,062	51	48,125	59
Transportation, storage and postal services	33,186	84	30,526	87
Manufacturing	23,763	28	26,962	31
Wholesale and retail	8,920	26	17,720	37
Telecommunications, software and IT services	7,727	25	9,644	19
Production and supply of electric power, heating power, gas and water	7,077	18	8,636	24
Mining	5,651	21	9,579	36
Leasing and commercial services	4,749	46	11,223	66
Construction	3,481	69	2,177	40
Water, environment and public utilities management	821	60	2,383	83
Others	5,137	51	12,317	62
Corporate loans and advances subtotal	171,919	42	218,694	47
Discounted bills	–	–	3,257	100
Residential mortgage	9,872	100	10,349	100
Credit cards	117	–	127	–
Micro-finance loans	1,214	99	1,183	99
Others	37,616	98	27,217	97
Retail loans and advances subtotal	48,819	98	38,876	97
Gross loans and advances to customers	220,738	55	260,827	55

(G) Further analysis on loans and advances to customers analysed by industry sector *(Continued)*

When the amount of loans and advances to customers for an industry/category accounts for 10% or above of the total amount of loans and advances to customers, the amount of overdue loans, impaired loans and credit impairment allowances in each expected credit loss stage are disclosed as follows:

	2021				
	Overdue loans and advances	Impaired loans and advances	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)
Residential mortgage	**3,966**	**3,821**	**19,333**	**1,525**	**2,677**
Credit card	**26,823**	**13,846**	**21,585**	**8,506**	**12,987**
Micro-business loan	**3,101**	**3,500**	**11,285**	**728**	**3,007**

	2020				
	Overdue loans and advances	Impaired loans and advances	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)
Residential mortgage	4,019	3,759	9,042	726	2,729
Credit card	20,065	12,424	7,428	13,630	11,770
Micro-business loan	2,877	3,026	20,793	880	2,548

As at 31 December 2021, for corporate loans and advances measured at amortised cost, the fair value of collateral held against impaired loans and advances is RMB3,304 million (31 December 2020: RMB6,262 million).

(H) Overdue loans and advances to customers

(i) By geographical segments

	2021	2020
Headquarters	13,812	15,328
Yangtze River Delta region	3,711	4,704
Bohai Rim region	3,490	6,370
Pearl River Delta and West Coast region	5,052	5,400
Northeast region	1,510	2,357
Central region	4,066	2,914
Western region	2,295	2,875
Outside Mainland China	166	342
Subsidiaries	997	694
Total	35,099	40,984

(ii) By overdue period

	2021	2020
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	8,629	10,445
– between 6 and 12 months (inclusive)	7,710	9,667
– over 12 months	18,760	20,872
Total	35,099	40,984
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	0.15%	0.21%
– between 6 and 12 months (inclusive)	0.14%	0.19%
– over 12 months	0.33%	0.41%
Total	0.62%	0.81%

(H) Overdue loans and advances to customers *(Continued)*

(iii) Collateral information

	2021	2020
Secured portion of overdue loans and advances	**12,953**	15,148
Unsecured portion of overdue loans and advances	**20,884**	25,315
Value of collateral held against overdue loans and advances	**29,922**	43,862

The amount of the Group's overdue loans and advances to financial institutions as at 31 December 2021 was RMB1 million (2020: RMB150 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

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 installments, if part of the installments is overdue, the whole amount of these loans would be classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(I) Renegotiated loans and advances to customers

	2021		2020	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Renegotiated loans and advances to customers (Note)	**16,517**	**0.30%**	24,878	0.49%
Less:				
– Renegotiated loans and advances overdue more than 90 days	**10,406**	**0.19%**	15,169	0.30%
– Renegotiated loans and advances overdue less than 90 days	**6,111**	**0.11%**	9,709	0.19%

Note: Represents the restructured non-performing loans.

The amount of the Group's renegotiated loans and advances to financial institutions as at 31 December 2021 was 1 million (2020: 1 million).

(J) Non-bank mainland china exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland China. As of 31 December 2021 and 31 December 2020, most of the Bank's exposures arose from businesses with Mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.

招商銀行

CHINA MERCHANTS BANK

招商銀行股份有限公司

We are here Just for you

http: //www.cmbchina.com

Add: China Merchants Bank Tower, No. 7088, Shennan Boulevard, Shenzhen, China

Tel: +86 755 8319 8888

Fax: +86 755 8319 5109

Postcode: 518040