

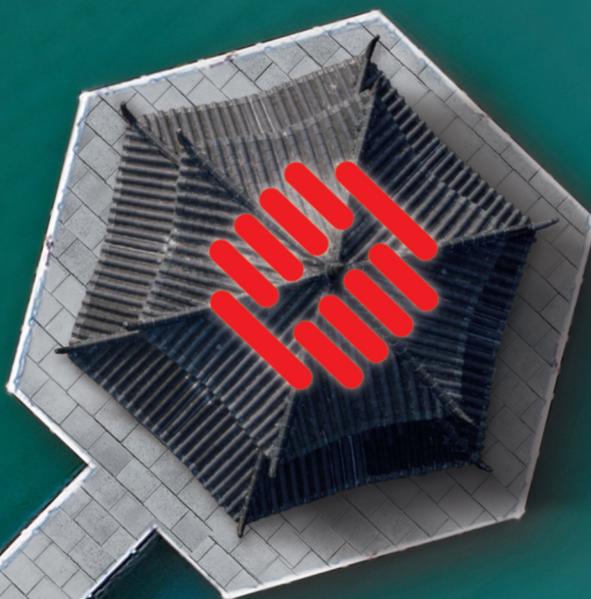
CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016

Annual Report | 2021



Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.

The fourth meeting of the sixth session of the Board of the Company, held on March 29, 2022, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2021 and its Summary. The Company has 13 Directors, among which 12 Directors attended the meeting in person and Mr. Wang Wei appointed Mr. Zhou Zhifang as proxy to attend the meeting on his behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, and 8 Supervisors of the Company attended the meeting.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2021 annual financial report of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards, and have issued standard unqualified audited reports, respectively.

Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

According to Rule 18 of the Administrative Measures on Issuance and Underwriting of Securities (《證券發行與承銷管理辦法》) issued by the CSRC and related regulatory Q&A requirements, for securities issued by listed companies, a company that has profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or when such proposal has already been approved by general meeting but yet to be implemented, the issuance of such securities can only be proceeded after such proposal has been implemented. In light of the progress of share allotment, future development and the interests of the Shareholders as a whole, the Company does not recommend the distribution of dividends for ordinary shares for the year 2021, or the conversion of capital reserve into share capital. Meanwhile, the Company will consider dividend distribution depending on the progress of share allotment, in order to secure a reasonable return on investment and implement the policy of distributing dividend stably.

Zhang Rongsen (張榮森, President of the Bank and acting as Chairman), Liu Long (劉龍, Principal in charge of Finance) and Jing Feng (景峰, Director of the Financial Department) warrant that the financial report in the annual report is true, accurate and complete.

Significant Risk Warning

Please refer to the section headed "Management Discussion and Analysis – Risk Management" of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

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Definitions

“CBIRC”:	China Banking and Insurance Regulatory Commission
“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“CSRC”:	China Securities Regulatory Commission
“Group”:	the Company and its subsidiary
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”:	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to Hong Kong Listing Rules
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Zheyin Financial Leasing”:	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest



Mr. Lu Jianqiang
*Secretary of the Party
Committee*

Secretary of the Party Committee's Statement

Year 2021 is a crucial year of a relay race in exploration and a continuous striving from a new historical starting point. Over the last year, with the concern and support from investors and the community, CZBank has resolutely pursued the decision and deployment of the Party Committee, the government and the regulatory authorities under the guidance of the vision of being "a first-class commercial bank", adhered to the overall goal of "two most", and deeply implemented the platform-based service strategy, creating a new situation in which our five major business segments are advancing coordinately and serving the real economy to a higher level. According to major indicators, a "stable" trend is continuing; according to business structure, the "progress" is improving; according to the development driving force, a "new" momentum is growing; and according to the development quality, "good" elements are accumulating.

In the past year, we focused on our major responsibilities and business. Continuing to advance platform-based products and iterations and upgrades of our service model, we served more than 39,000 core enterprises in the industrial supply chain and their upstream and downstream customers, and accurately assisted the industrial supply chain in stable improvement. We took the initiative in a special project for "Spark Program" (星火計劃) of the manufacturing industries, and introduced a special credit policy for "specialized, refined, differentiated and innovative" (專精特新) enterprises, achieving remarkable results in supporting the high-quality development of the manufacturing industries. During the year, the increment in loans to small and micro enterprises under inclusive finance was historically high, and the services for talent bank were further popularized, thus the proportion of loans to private enterprises continued to rank among the highest in nationwide banks. Deeply implementing the upgraded version of smooth financing project and strengthening the construction of our stronghold in Zhejiang, we insisted on deepening the business in Zhejiang, and our total amount of financing in the province continued to grow. Task forces in 26 counties in the mountainous regions of Zhejiang were set up to actively pursue the initiative of "expand the middle and raise the low" (擴中提低) in the province, with extraordinary achievements in services to the high-quality development of Zhejiang and the construction of demonstration zone of common prosperity. Furthermore, we strictly implemented the national policy of "no speculation in housing (房住不炒)" and took a forward-looking approach to reduce our real estate credit exposure to achieve all regulatory targets for loans in real estate.

In the past year, we were bold in changing and reinventing. The Board of Directors was re-elected smoothly and the senior management was reorganized and enriched to enhance their abilities to perform their duties. The "Fourth Five-Year Plan" (2021 to 2025) of CZBank was researched and formulated to provide a guideline for the next five years, which was implemented by departments in head office and branches under strict supervision. We advanced the top-level design and co-ordination of major reforms in an orderly manner, and continued to rationalize the institutional establishment and management system of the entire bank, in order to continuously stimulate the vitality of institutional innovation. We successfully issued perpetual bonds at RMB25 billion, with a record high subscription rate of the same kind for the same period, to improve our capital strength accordingly. Meanwhile, we proactively integrated ourselves into the overall digital reform of Zhejiang, by building a "1+5+N" top-level structure for digital reform, and creating a series of "hardcore" achievements in innovative digital financing.

In the past year, we were great at deepening the reform. Deepening the structural reform on the supply side of finance, we promoted the coordinate development of our five major business segments and achieved double-digit growth in asset size, operating income and profit before provisions. While our inefficient assets and high interest-bearing liabilities declined in an orderly manner, and net interest margin continued to improve, the business structure was continuously optimized. We made positive progress in the transformation of net value and achieved expected results in the rectification of existing financial management assets. We also improved our comprehensive risk management system with asset quality showing a positive trend. We carried out the campaign of "Year of Internal Control and Compliance Management Construction" (內控合規管理建設年) and made significant progress in "reshaping concepts, rebuilding systems and re-engineering processes" to continue zero risk in major cases and operation.

Year 2022 is a crucial year for China to implement its "14th Five-Year Plan", and also a tough year for CZBank to seize the opportunities and momentum to build a "first-class commercial bank". Given the new situation, new missions and new challenges, we will follow the vision of being a "first-class commercial bank", adhere to the main line of digital reform, take deepening development in Zhejiang as our first priority and act in a stable manner to build the political ecology centering on "integrity, simplicity, professionalism, cooperation and honesty" in a comprehensive manner, promote the coordinated development of our five major business segments, and establish a comprehensive financial service model and a large supervision system to enhance our ability to prevent and deal with risks. Embracing its positive energy, consolidating foundation and improving image, the Bank is starting a new journey of high-quality development in a full manner and aim to become a bank in Zhejiang province, of Zhejiang merchants and for Zhejiang people, and usher in the successful convening of the 20th National Congress of the CPC and the 15th Party Congress of Zhejiang province with excellent performance.

In 2022, hand-in-hand we are on a glorious journey together!

Lu Jianqiang
Secretary of the Party Committee
March 29, 2022



Mr. Zhang Rongsen
President

President's Statement

Year 2021 is a historical crossroad of the “two centuries”. Committed to the development vision of “building a first-class commercial bank” and under the guidance of the 12-word operation policy of “scaling up, structural adjustment, risk control and increasing cost-effectiveness”, the Group significantly improved its operating results and formed a new pattern of concerted and coordinated development of its five major business segments. As at the end of 2021, the Group's total asset balance reached RMB2,286.7 billion, increasing by 11.6% from the year beginning. The growth of deposits and loans for the second half of 2021 was significantly higher than the first half. Full-year operating income of the Group amounted to RMB54.58 billion, with an increase of RMB2.69 billion in the second half of the year as compared to the first half, representing an annual growth of 14.3%, ranking the top among joint-stock banks in China in terms of growth rate. The overall development of the Bank showed a prudent growth, consolidating its position among the major joint-stock banks and allowing it to forge ahead in a stable manner.

During the year, we have insisted on endogenous development by placing equal emphasis on business expansion and productivity improvement. On a customer-oriented basis, we provide services tailored to customer needs and adopt a customer strategy “actively participating in large-sized customers, encouraging mutual support among medium-sized customers, and accumulating small-size enterprise and retail customers”. We also implement a new business philosophy of “maximum benefits with capital efficiency”, i.e., to maintain assets with “controllable risks and considerable returns”, liabilities that are “real, stable and low-cost”, and transactions, sales and circulation with “zero or low capital consumption”. In 2021, the interest rate of the Bank dropped by 15 basic points (“BPS”) compared with the previous year; international settlement doubled year-on-year and exceeded US\$200 billion; financial assets sold exceeded RMB150 billion; and non-interest income increased by 18%.

During the year, we have reached a consensus on development and strived to form a new pattern of concerted and coordinated development of our five major business segments. The great retail segment is the cornerstone of our high-quality development and the first segment of the Bank. We stick to the provision of small amount and diversified loans via both online and offline channels, to improve our market awareness as a small and micro finance provider. As at the end of 2021, the proportion of our inclusive small and micro loans continued to maintain a leading position among the nationwide joint-stock banks. The great corporate segment is the “backbone” of the Bank for revenue growth and profit creation and the key for expanding our customer base. With the optimization and improvement of the advantage of our platform-based services, we have served more than 7,600 customers in the industrial chain and supply chain. Our services to specialized, refined, differentiated, and innovative “little giant” enterprises, (proposed) listed companies and high-caliber talents help us to establish the unique advantages of “talent bank”. The great investment banking segment returns to origin and is a powerful tool for us to reduce cost and increase income through the integration of “investment, trust, sales and matchmaking”. The launch of FPA banking in 2021 symbolizes a new step taken in the full life cycle operation of commercial papers. The great asset management segment plays an important role in the Bank's comprehensive financial services, poised to accelerate collaboration with the great retail segment to create synergy and expand the wealth management business. Relying on the “dual platforms”, namely the Hong Kong branch and the Free Trade Zone, the great cross-border segment will identify opportunities for the “going out” and “bringing in” of the Bank's businesses, and strive to build a cross-border dual-circulation capital ecosystem.

During the year, we are committed to “deepening Zhejiang development and serving Zhejiang merchants” to accelerate the construction of our stronghold and provide full support to the high-quality development and construction of a demonstration zone for common prosperity in Zhejiang. As the only nationwide joint-stock company headquartered in Zhejiang, where we were born, grew up and are expanding throughout the country, we have established our presence in 21 provinces (autonomous regions and municipalities) and Hong Kong. We have established Zhejiang Headquarters chaired by the president of the Bank in order to give full play to the Bank's advantages of being rooted in Zhejiang, and realize the coordinated development of our stronghold and all banks under the Group. We have integrated the new-era Zhejiang spirit of “doing practical work, getting ahead and leading the trend” and the “Four Thousand” spirit of Zhejiang merchants into our “Four Dos” spirit, namely “do it, do good, do it well and do well in it”, and won the “Outstanding Contribution Award for Zhejiang Unimpeded Financing Project” (浙江省融資暢通工程突出貢獻獎) and the “First Prize of Advanced Units for Supporting Zhejiang's Economic and Social Development” (支持浙江經濟社會發展先進單位一等獎) each year.

During the year, we paid close attention to compliance and risk control to build a solid foundation for development. We insist on developing within regulatory scope, seek achievement from compliance operations, and firmly establish the risk concept of “risk control is also development and risk resolution is also profit creation”. Adhering to the principle of “small amount and diversification” in credit granting, we endeavor to build a credit asset structure that is “weakly sensitive to the economic cycle” and form a risk appetite of selecting “good projects, good companies and good bosses” to “net fish in lake with fishes”, thus preventing and controlling risks. In 2021, the Bank's non-performing loan ratio remained stable, with better-than-expected provision coverage. At the end of last year, forward-looking risk indicators such as the non-performing ratio of assets overdue more than 90 days and the overdue loan ratio saw positive signs.

Over and over again, flowers bloom in spring and fruits mature in autumn. In 2022, the Bank will strengthen the ecological construction of “integrity, simplicity, professionalism, cooperation and honesty” in all aspects and follow the twelve-word operation policy to advance the new pattern of concerted and cooperated development of the five major business segments to a new level, gradually achieve the high-quality development of “scale, efficiency, image, reputation and talent” and usher in the convening of the 20th National Congress of the CPC with excellent performance.

Zhang Rongsen
President
March 29, 2022

Company Profile

- Company name in Chinese:** 浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行)
Company name in English: CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK)
- Legal Representative:** Zhang Rongsen (acting as Legal Representative)
- Registered address:** No. 1788, Hongning Road, Xiaoshan District,
Hangzhou, Zhejiang Province, the PRC
Postcode: 311200
Principal office address: No. 288, Qingchun Road, Hangzhou, Zhejiang Province,
the PRC
Postcode: 310006
E-mail: ir@czbank.com
Website: www.czbank.com
Customer service hotline: 95527
Tel for investor relations management: 86-571-88268966
Fax: 86-571-87659826
- Principal place of business in Hong Kong:** 15/F, Three Exchange Square, No. 8 Connaught Place,
Central, Hong Kong
- Authorized representatives:** Zhang Rongsen, Liu Long
- Secretary to the Board and company secretary:** Liu Long
Representative of securities affairs: Chen Sheng
- A Shares**
Stock exchange where the securities are listed: Shanghai Stock Exchange
Stock abbreviation: CZBANK
Stock code: 601916
H Shares
Stock exchange where the securities are listed: Hong Kong Stock Exchange
Stock abbreviation: CZBANK
Stock code: 2016
- Share registrar:**
A Shares: China Securities Depository and Clearing Corporation
Limited Shanghai Branch
No.188 South Yanggao Road, Shanghai
H Shares: Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Company Profile

9. **Legal advisers:**
As to Mainland PRC Laws: Zhejiang T&C Law Firm
As to Hong Kong Laws: Freshfields Bruckhaus Deringer
10. **Accounting firms engaged by the Company:**
Domestic auditor: KPMG Huazhen LLP
Office address: 8/F, Tower E2, Oriental Plaza,
1 East Chang'an Avenue, Dongcheng District, Beijing
Signing certificated accountants: Chen Sijie, Pan Sheng
International auditor: KPMG
Office address: 8/F, Prince's Building, 10 Chater Road,
Central, Hong Kong
11. **Newspapers and websites designated for information disclosure:**
Mainland China: China Securities Journal, Shanghai Securities News,
Securities Times and Securities Daily
Website of the Shanghai Stock Exchange
(www.sse.com.cn)
Website of the Company (www.czbank.com)
Hong Kong: Website of the Hong Kong Stock Exchange
(www.hkex.com.hk)
Website of the Company (www.czbank.com)
Place for inspection of the annual report: Office of the Board of the Company
(No. 288, Qingchun Road, Hangzhou, Zhejiang Province,
the PRC)
12. **Sponsor institution for A Shares:**
Name of the institution: CITIC Securities Co., Ltd.
Office address: North Tower, Excellence Times Plaza II, No. 8 Zhong
Xin San Road, Futian District, Shenzhen, Guangdong
Province
Name of the undersigned sponsor representatives: Cheng Yue, Jiang Ying
The period of continuous supervision and guidance: November 26, 2019 to December 31, 2021
13. **Other information about the Company:** Uniform social credit code: 91330000761336668H
Financial institution license serial number:
B0010H133010001
Registration date: July 26, 2004

Corporate Overview

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank was listed on the Hong Kong Stock Exchange with the stock code of “2016.HK” on March 30, 2016 and listed on the Shanghai Stock Exchange with the stock code of “601916” on November 26, 2019, being the 13th “A+H” listed bank in China.

Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses nationwide, and has developed into a high-quality commercial bank with a solid foundation, strong profitability and prudent risk control. With its development vision of “Building a first-class commercial bank”, closely focusing on the overall goal of “Two Most” and guided by the twelve-word operation policy of “scaling up, structural adjustment, risk control and increasing cost-effectiveness”, CZBank deepens the implementation of its platform-based service strategy to carry forward the spirit of “Four Doings” and continuously pushes the new pattern of five major business segments to new height of simultaneous and synergistic development.

As at the end of the reporting period, CZBank has established 288 branch outlets in 21 provinces, autonomous regions and municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and West Strait Economic Zone and certain areas in the Midwestern China.

In 2021, CZBank’s operating income was RMB54.584 billion, representing an increase of 14.26% over last year; net profit attributable to shareholders of the Bank was RMB12.648 billion, representing an increase of 2.75% over last year. As at the end of the reporting period, the total assets were RMB2.29 trillion, representing an increase of 11.64% compared with that at the end of last year, and total loans and advances to customers were RMB1.35 trillion, representing an increase of 12.49%; the total liabilities were RMB2.12 trillion, representing an increase of 10.66% compared with that at the end of last year, and balance of customer deposits were RMB1.42 trillion, representing an increase of 5.99%; the non-performing loan ratio was 1.53% and allowance to non-performing loans was 174.61%; the capital adequacy ratio was 12.89%, the tier-one capital adequacy ratio was 10.80%, and the core tier-one capital adequacy ratio was 8.13%, all maintaining at a reasonable level.

For more details, please refer to sections headed Secretary of the Party Committee’s Statement and President’s Statement.

Development Strategies and Core Competitiveness

(I) Vision

To build CZBank into a first-class commercial bank.

(II) Overall Goal

Overall Objective of “Two Most”: The most competitive nationwide joint-stock commercial bank and Zhejiang’s most important financial platform.

“The Most Competitive Nationwide Joint-stock Commercial Bank” means a first-class banking group that is committed to innovation and creating distinctive features, being one step ahead in advancing technological innovation and becoming a pioneer bank in financial technology and business model innovation, being one step ahead in developing distinctive strengths and becoming a pioneer bank with a distinctive professional identity, and being one step ahead in performance improvement and risk management and becoming a pioneer bank of high quality development.

“Zhejiang’s Most Important Financial Platform” means a comprehensive financial flagship that understands Zhejiang and Zhejiang merchants best. It has been at the forefront of promoting the development of “important window” and supporting the implementation of major strategies in Zhejiang, becoming the most trusted bank of Zhejiang governments at all levels. It has been at the forefront of serving Zhejiang’s economic and social development, becoming the most caring bank for Zhejiang enterprises and residents. It has been at the forefront of strengthening and promoting synergistic cooperation among financial institutions, becoming an important hub for the linkage and flow of financial elements in Zhejiang.

(III) Strategic Positioning

The Bank is positioned to deepen the implementation of platform-based service strategy, enhance our digital, professional and leaning capabilities, and establish three major advantages in liquidity services, industrial supply chain services and wealth management services to create an industrial chain bank.

(IV) Core Competitiveness

Clear and specific strategic positioning. Guided by the “two most” overall goal and the theme of promoting high-quality development, the Bank is positioned to deepen the implementation of platform-based service strategy, enhance our digital, professional and leaning capabilities, and establish three major distinctive features in liquidity services, industrial supply chain services and wealth management services in order to accelerate its progress towards the vision of becoming a “first-class commercial bank”.

Sound Corporate Governance. The Bank strengthens the establishment of modern corporate systems in all aspects and has improved the level of corporate governance continuously, resulting in a more diversified equity structure and a better governance systems. The Board of Directors, the Board of Supervisors and General Meetings and its senior management with specified and definite duties and responsibilities have formed a corporate governance structure appropriate for the Company. Through more standard information disclosure, we have improved the quality of information disclosure and made full use of the supervision role of the market.

Rapid and sustainable growth capability. Benefiting from its strategic national layout, efficient operation and management and the strong development foundation in Zhejiang province, the Bank has developed itself into a fast-growing national joint-stock commercial bank with strong base, high profitability, and well-established risk control system. Both the economic efficiency and scale of the Bank grow in a rapid and sustainable manner, indicating a broad prospect in the medium to long term.

Development Strategies and Core Competitiveness

Financial technology with distinctive edges. Implementing technology-driven transformation, the Bank has actively integrated into the digital reform of Zhejiang Province, and has taken the lead in exploring the deepened integration of the cutting-edge technologies, such as blockchain, Internet of Things (“IoT”), artificial intelligence, cloud computation and big data, with banking business, so as to build a strong technical support platform and export technology platforms and services. Gradually, it has established itself into a leading innovative brand in the financial technology industry.

Improving business system. To improve its competitiveness, the Bank has focused on the coordinated development of its five major business segments, namely great retail, great asset management, great corporate, great investment banking and great cross-border. The combined use of various financial instruments enabled the Bank to provide customers with comprehensive, three-dimensional and systematic financial services to achieve the diversified operation, global layout, integrated operation, comprehensive services and high-quality development.

Leading professional services for the small and micro enterprises. Adhering to the principal of commercially sustainable development, the Bank has a foothold on professional operating mode, and utilizes the internet technology and thinking actively to innovate the application of online procedures, thus to improve customer experience. The professional service ability of the Company has been highly recognized by the customers in the market. Being a pioneer in the small and micro enterprise business in the industry, the Bank has formed various distinctive advantages in the aspect of mechanism, product, process, and risk control.

Distinctive corporate businesses. Based on the success of the platform-based service pattern the Bank has continued to enhance its customized approach by providing “one strategy to one customer” and “one strategy by one bank” services, to apply financial technologies to its pragmatic and efficient corporate financial services and focus on solving the core needs of enterprises. All the above constitutes its competitive advantage in the market.

Prudent and healthy risk management. Oriented with serving the real economy, the Bank adheres to a prudent and healthy risk appetite and the principle of “small and diversified” in granting credit in an appropriate manner, strengthens vertical management, implements a distinctive risk control officer assignment system, and continuously improves the risk management system, unified credit management system and credit risk limit framework system to maintain stable quality of assets.

Scientific and reasonable talent bank. The Bank strengthens the construction of its cadre team. The management of the Bank has extraordinary strategic vision and business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. It continues to promote a systematic, scientific and precise level of HR management. The employees of the Bank are young, energetic, highly-educated with strong professional competence.

Pragmatic and innovative brand culture. The Bank adheres to a corporate culture under the core concepts of “following the guidance of party building, spirit of taking action, spirit of innovation, spirit of service and bottom line of safety” to build a vibrant brand image as the “Bank of the 00s”, fulfilling our corporate social responsibilities, vigorously developing green finance, helping to contribute to the carbon peak and carbon neutrality, and actively promoting inclusive finance and technological finance to create value together with our customers.

Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
Top 50 comprehensive cases of targeted poverty alleviation by enterprises	Department of Social Poverty Alleviation, Poverty Alleviation Office of the State Council	Jan. 2021
“Leaders” of Corporate Standards 2020	Payment & Clearing Association of China	Feb. 2021
“Most Satisfied Bank by Private Enterprises” in Zhejiang Province 2020	Hangzhou Central Sub-Branch of the People’s Bank of China	Mar. 2021
Industrial Pacesetter of China’s Supply Chain Finance 2021	Organizing Committee of Annual Conference for China’s Supply Chain Finance	Apr. 2021
“Outstanding Contribution Award” of Zhejiang Province Financing Smooth Project	Local Financial Regulatory Bureau of Zhejiang Province	May 2021
95th (in terms of total assets) and 99th (in terms of tier-one capital) in the “Top 1000 World Banks 2021” ranking, retaining its position in Top 100 of world banks	<i>The Banker</i> , magazine of the UK	Jul. 2021
94th (in terms of brand value, i.e. US\$2.73 billion) in the “Top 500 Brand Value of World Banks 2021” ranking. For the first time, our brand value has entered the global Top 100, rising 29 places from 2020.		
First Prize for Advanced Unit in Supporting Zhejiang’s Economic and Social Development	People’s Government of Zhejiang Province	Aug. 2021
FinTech Innovator Award 2021	<i>Global Finance</i> , magazine of the USA	Aug. 2021
Best Organizational Planning Award for Practical Demonstration Cases of Services in China	China International Fair for Trade in Services	Sep. 2021
Outstanding Cases of Financial Services for MSMEs in 2021	China Banking Association & China Association of SMEs	Sep. 2021
Innovations in Digital Supply Chain Finance 2021	Organizing Committee of China International Industrial Internet Innovation and Development Conference	Sep. 2021
Favorite Employers by Chinese College Students 2021	www.51job.com (前程無憂)	Sep. 2021
Paragon of Digital HR 2021		

Honors and Awards

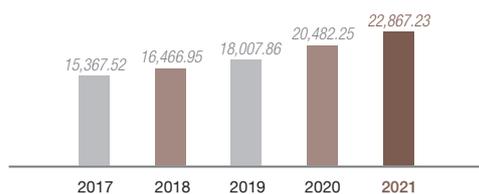
Awards/Ranking	Activities/Organizers/Media	Awarded in
Top 10 cases of financial services in Zhejiang in 2020: “Talent Bank Service Solution”	Zhejiang Financial Association	Oct. 2021
The Gamma Award for Boutique Investment Bank of Best Bank of China 2021	Securities Times	Oct. 2021
Best User Experience Award for Mobile Banking & Digital Finance Business Innovation Award	China Financial Certification Authority	Nov. 2021
Brand Building Banks 2021	www.21jingji.com (21世紀經濟報導)	Nov. 2021
Golden Bull Award for Wealth Management Banks	China Securities Journal	Nov. 2021
Outstanding Financial Institution of the Year in the 19th Financial Awards	www.hexun.com (和讯)	Dec. 2021
Golden Loong Award: Best Bank of the Year in Serving “Specialized, Refined, differentiated and Innovation” Enterprises	www.financialnews.com.cn (金融時報)	Dec. 2021
Outstanding Company in Social Responsibility of the Year	www.infzm.com (南方週末)	Dec. 2021
Top 100 Growth Capacity of Listed Companies 2021	www.xueqiu.com (雪球)	Dec. 2021
Best Growing Bank of the Year in 2021 Financial Awards	www.stockstar.com (證券之星)	Dec. 2021
Integrated Marketing Cases in China International Advertising Festival 2021	China Advertising Association	Dec. 2021
Third Prize for Financial Technology Development 2020	The People’s Bank of China	Dec. 2021

Financial Summary

(The financial data and indicators set forth in this annual report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified)

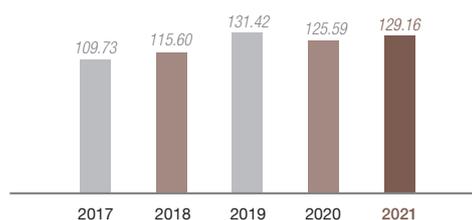
Total assets

In 100 millions of RMB



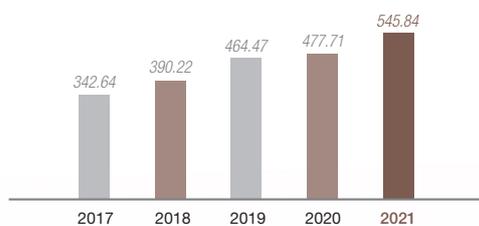
Net profits

In 100 millions of RMB



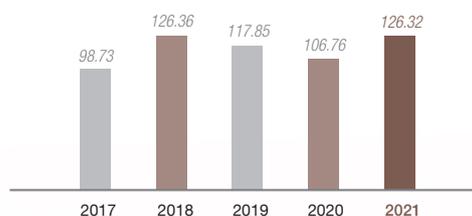
Operating income

In 100 millions of RMB



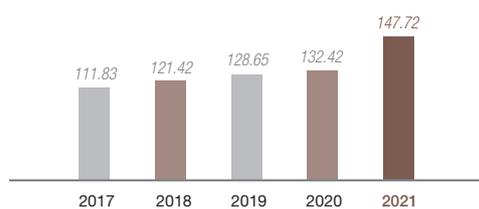
Net non-interest income

In 100 millions of RMB

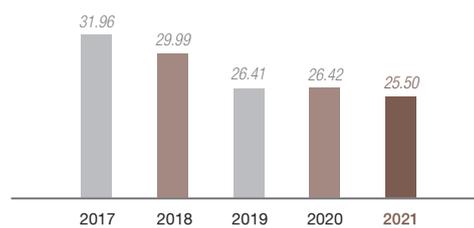


Financial Summary

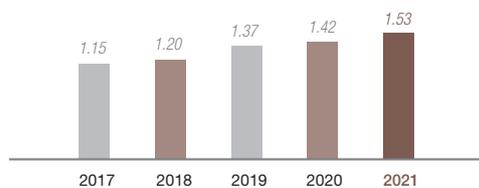
Operating expenses
In 100 millions of RMB



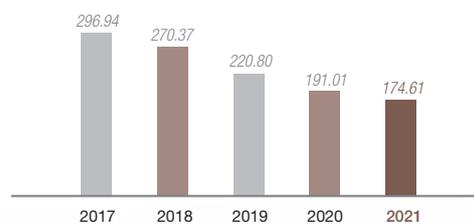
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2021	2020	2019	2018	2017
Operating results (RMB million)					
Operating income	54,584	47,771	46,447	39,022	34,264
Profit before income tax	14,981	14,363	14,680	13,851	13,707
Net profit attributable to shareholders of the Bank	12,648	12,309	12,924	11,490	10,950
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	2,286,723	2,048,225	1,800,786	1,646,695	1,536,752
Total loans and advances to customers	1,347,239	1,197,698	1,030,171	865,233	672,879
Total liabilities	2,119,840	1,915,682	1,672,759	1,544,246	1,447,064
Customer deposits	1,415,705	1,335,636	1,143,741	974,770	860,619
Equity attributable to shareholders of the Bank	164,169	130,512	126,246	100,885	88,195
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	5.84	5.43	5.23	4.59	4.08
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.55	0.53	0.64	0.61	0.57
Diluted earnings per share attributable to shareholders of the Bank	0.55	0.53	0.64	0.61	0.57
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.60	0.65	0.76	0.73	0.76
Return on average equity ⁽⁴⁾	9.83	10.03	12.21	14.17	14.64
Net interest margin	2.27	2.19	2.39	1.93	1.81
Net interest spread	2.07	1.99	2.13	1.76	1.62
Net non-interest income to operating income	23.14	22.35	25.37	32.38	28.81
Cost-to-income ratio ⁽⁵⁾	25.50	26.42	26.41	29.99	31.96
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.53	1.42	1.37	1.20	1.15
Allowance to non-performing loans ⁽⁷⁾	174.61	191.01	220.80	270.37	296.94
Allowance to total loans ⁽⁸⁾	2.68	2.72	3.03	3.25	3.43
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio	8.13	8.75	9.64	8.38	8.29
Tier-one capital adequacy ratio	10.80	9.88	10.94	9.83	9.96
Capital adequacy ratio	12.89	12.93	14.24	13.38	12.21

Financial Summary

Notes:

- (1) Net assets per share attributable to shareholders of the Bank = (equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (2) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares of the Bank for the year) divided by weighted average number of ordinary shares outstanding.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares the Bank for the year) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (5) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (6) Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers.
- (7) Allowance to non-performing loans = Balance of impairment allowances on loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to non-performing loans shall not be less than 140%.
- (8) Allowance to total loans = Balance of impairment allowances on loans divided by total loans and advances to customers. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to total loans shall not be less than 2.1%.

Explanation of Differences between Financial Statements Prepared under Domestic and International Accounting Policies

The net profit attributable to shareholders of the Bank for the reporting period ended December 31, 2021 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environments

The global economy had recovered somewhat in 2021, but still existed multiple challenges such as supply disruptions, rising inflation and record level of debt under the impact of COVID-19 pandemic. Global instability and imbalance were prominent, with a policy tendency for countries to become more internally concerned. Meanwhile, the global economic “fault” had been deepened and recovery prospects were diverging, with developed economies in a relatively good position to recover, and some emerging markets and developing economies facing more severe output losses.

The year of 2021, with the achievement of the first Centenary Goal, the start of a new march towards the second Centenary Goal, new steps in building a new development pattern, new achievements in high-quality development, and China’s global leadership in economic development and COVID-19 pandemic prevention and control, is a milestone in the history, and a good start to the “14th Five-Year Plan”. China’s annual gross domestic product (GDP) was RMB114.4 trillion, representing an increase of 8.1% year-on-year. However, at the same time, China’s economic development faced triple pressure from contracting demand, supply shocks and weakening expectations not seen for many years resulting in weakening momentum in consumption and investment growth. Therefore the risks and challenges still cannot be ignored.

In 2021, the People’s Bank of China adhered to a prudent monetary policy in a flexible and targeted manner and made comprehensive use of a variety of monetary policy tools to maintain a reasonable abundance of total liquidity and a balance between long-, medium- and short-term supply and demand. The two reductions in the reserve requirement ratio released a total of about RMB2.2 trillion in long-term funds. The market quoted interest rate for 1-year loans was therefore down by 5 BPS and the refinancing rate for agricultural and small loans was cut by 0.25 percentage point. At the end of 2021, the broad money (M2) supply grew by 9% year-on-year and the existing social financing increased by 10.3% year-on-year. The balance of loans of financial institutions in domestic and foreign currencies was RMB198.5 trillion, representing an increase of 11.3% year-on-year; and the balance of deposits of financial institutions in domestic and foreign currencies was RMB238.6 trillion, representing an increase of 9.3% year-on-year. The growth rate of broad money (M2) and social financing scale basically matched the nominal economic growth rate. The RMB exchange rate maintained basic stability at a reasonably balanced level under the complex environment.

At the end of 2021, the assets of banking financial institutions in domestic and foreign currencies were RMB344.76 trillion, increased by 7.8% year-on-year; and the liabilities of banking financial institutions in domestic and foreign currencies were RMB315.28 trillion, increased by 7.6% year-on-year. The banking industry continued to improve the quality and efficiency of its services to the real economy by increasing its investment in private small and micro enterprises and implementing measures such as fee and interest rate reductions. The balance of loans for small and micro enterprises under inclusive finance in 2021 was RMB19.1 trillion, increased by 24.9% as compared to the same period of the previous year. Commercial banks (as legal persons) achieved an annual net profit of RMB2.18 trillion, with a non-performing loan balance of RMB2.85 trillion and a non-performing loan ratio of 1.73%, thus maintaining the stable asset quality.

Management Discussion and Analysis

(II) Analysis of Overall Operation Performance

Stable increase of business scale

As at the end of the reporting period, total assets of the Group amounted to RMB2,286.723 billion, representing an increase of RMB238.498 billion or 11.64% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,347.239 billion, representing an increase of RMB149.541 billion or 12.49% as compared to that at the end of last year. Total liabilities amounted to RMB2,119.840 billion, representing an increase of RMB204.158 billion or 10.66% as compared to that at the end of last year, of which customer deposits amounted to RMB1,415.705 billion, representing an increase of RMB80.069 billion or 5.99% as compared to that at the end of last year.

Positive trend in operating efficiencies

During the reporting period, operating income of the Group amounted to RMB54.584 billion, representing an increase of RMB6.813 billion or 14.26% as compared to that of last year, of which net interest income amounted to RMB41.952 billion, representing an increase of RMB4.857 billion or 13.09% as compared to that of last year, and net non-interest income amounted to RMB12.632 billion, representing an increase of RMB1.956 billion or 18.32% as compared to that of last year. Net profit attributable to shareholders of the Bank amounted to RMB12.648 billion, representing an increase of RMB339 million or 2.75% as compared to that of last year.

Maintaining sound asset quality

As at the end of the reporting period, the non-performing loan ratio was 1.53%, representing an increase of 0.11 percentage point as compared to that at the end of last year; allowance to non-performing loan ratio was 174.61%, representing a decrease of 16.40 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.68%, representing a decrease of 0.04 percentage point as compared to that at the end of last year.

Maintaining capital adequacy ratio at reasonable level

As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.89%, representing a decrease of 0.04 percentage point as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 10.80%, representing an increase of 0.92 percentage point as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.13%, representing a decrease of 0.62 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

(III) Analysis of Financial Statements

1. Analysis of consolidated statement of comprehensive income

In 2021, the Group followed the guidance of national policies, adhered to the overall goal of “two most”, and promoted its own high-quality development in effectively serving the real economy. In 2021, the Group achieved a net profit attributable to shareholders of the Bank of RMB12.648 billion, increased by 2.75% as compared to that of last year; the return on average total assets was 0.60% and the return on average equity was 9.83%. Operating income was RMB54.584 billion, increased by 14.26% as compared to that of last year, including, among others, net interest income of RMB41.952 billion, increased by 13.09% as compared to that of last year; net non-interest income of RMB12.632 billion, increased by 18.32% as compared to that of last year. Operating expense was RMB14.772 billion, increased by 11.55% as compared to that of last year; cost-to-income ratio was 25.50%, decreased by 0.92 percentage point as compared to that of last year. Provision for expected credit losses was RMB24.831 billion, increased by 23.13% as compared to that of last year. The income tax expense was RMB2.065 billion, increased by 14.47% as compared to that of last year.

Changes of the main items in the consolidated statement of comprehensive income

In RMB million, except percentages

Item	2021	2020	Amount of increase	Growth rate (%)
Net interest income	41,952	37,095	4,857	13.09
Net non-interest income	12,632	10,676	1,956	18.32
Operating income	54,584	47,771	6,813	14.26
Less: operating expenses	14,772	13,242	1,530	11.55
Less: expected credit losses	24,831	20,166	4,665	23.13
Profit before income tax	14,981	14,363	618	4.30
Less: income tax expense	2,065	1,804	261	14.47
Net profit	12,916	12,559	357	2.84
Attributable to:				
Shareholders of the Bank	12,648	12,309	339	2.75
Non-controlling interests	268	250	18	7.20

Management Discussion and Analysis

(1) Net interest income

In 2021, net interest income was RMB41.952 billion, representing an increase of RMB4.857 billion or 13.09% as compared to that of last year, accounting for 76.86% of operating income; interest income was RMB92.757 billion, representing an increase of RMB6.533 billion or 7.58% as compared to that of last year; interest expense was RMB50.805 billion, representing an increase of RMB1.676 billion or 3.41% as compared to that of last year. Net interest spread and net interest margin were 2.07% and 2.27%, respectively, both representing an increase of 0.08 percentage point as compared to that of last year.

Average yields on interest-earning assets and average costs of interest-bearing liabilities

In RMB million, except percentages

Item	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,305,272	69,938	5.36	1,149,612	64,313	5.59
Investments ⁽¹⁾	465,971	19,259	4.13	441,926	18,095	4.09
Due from banks and other financial institutions ⁽²⁾	106,213	1,592	1.50	116,372	1,816	1.56
Balances with central bank ⁽³⁾	133,366	1,968	1.48	135,699	2,000	1.47
Total interest-earning assets	2,010,822	92,757	4.61	1,843,609	86,224	4.68
Item	2021			2020		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,371,108	33,886	2.47	1,336,090	35,286	2.64
Due to banks and other financial institutions ⁽⁴⁾	287,531	6,725	2.34	201,557	4,625	2.29
Due to central bank	57,498	1,600	2.78	82,797	2,581	3.12
Debt securities issued ⁽⁵⁾	282,887	8,453	2.99	200,081	6,508	3.25
Lease liabilities	2,999	141	4.70	2,683	129	4.80
Total Interest-bearing liabilities	2,002,023	50,805	2.54	1,823,208	49,129	2.69
Net interest income		41,952			37,095	
Net interest spread			2.07			1.99
Net interest margin ⁽⁶⁾			2.27			2.19

Management Discussion and Analysis

Notes:

- (1) The investments include financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and finance lease receivables.
- (2) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) Balances with the central bank include mandatory reserve deposits, surplus reserve deposits and foreign exchange reserve of deposits.
- (4) Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.
- (5) Debt securities issued include issued inter-bank certificates of deposits, financial bond, tier2 capital bond etc.
- (6) Net interest margin: the income generated from the business of financial assets at fair value through profit or loss was not classified as interest income categorized by accounting item, and its corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

Analysis of changes in interest income and interest expense

In RMB million

Item	Comparison between 2021 and 2020		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	8,707	(3,082)	5,625
Investments	986	178	1,164
Due from banks and other financial institutions	(159)	(65)	(224)
Balances with central bank	(35)	3	(32)
Changes in interest income	9,499	(2,966)	6,533
Interest-bearing liabilities			
Customer deposits	925	(2,325)	(1,400)
Due to banks and other financial institutions	1,972	128	2,100
Due to central bank	(789)	(192)	(981)
Debt securities issued	2,693	(748)	1,945
Lease liabilities	15	(3)	12
Changes in interest expense	4,816	(3,140)	1,676
Changes in net interest income	4,683	174	4,857

Management Discussion and Analysis

Notes:

- (1) Change in volume represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or average cost for the previous year.
- (2) Change in interest rate represents the average yield or average cost for the year minus the average yield or average cost for the previous year, multiplied by the average balance for the year.
- (3) Net increase or decrease represents interest income or expense for the year minus interest income or expense for the previous year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB69.938 billion, increased by RMB5.625 billion or 8.75% as compared to last year, mainly due to the increase in the size of loans and advances to customers.

Analysis of average income from loans and advances to customers by business type

In RMB million, except percentages

	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances ⁽¹⁾	946,006	45,627	4.82	855,416	44,180	5.16
Personal loans and advances	359,266	24,311	6.77	294,196	20,133	6.84
Total loans and advances to customers	1,305,272	69,938	5.36	1,149,612	64,313	5.59

Note:

- (1) including discounted bills.

Interest income from investments

Interest income from investments was RMB19.259 billion, increased by RMB1.164 billion or 6.43% as compared to that of last year, mainly due to the increase in the size.

Interest income from due from banks and other financial institutions

Interest income from due from banks and other financial institutions was RMB1.592 billion, representing a decrease of RMB224 million or 12.33% as compared to that of last year, primarily due to the decreased size and interest rate of due from banks and other financial institutions.

Management Discussion and Analysis

(3) Interest expenses

Interest expenses on customer deposits

Interest expense on customer deposits amounted to RMB33.886 billion, representing a decrease of RMB1.40 billion or 3.97% as compared to that of last year, primarily due to the decrease in the costs of customer deposits.

Interest expenses on customer deposits

In RMB million, except percentages

	2021			2020		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	644,211	17,428	2.71	710,168	21,855	3.08
Demand	439,309	6,807	1.55	381,683	5,023	1.32
Subtotal	1,083,520	24,235	2.24	1,091,851	26,878	2.46
Personal deposits						
Time	226,026	8,633	3.82	199,817	7,758	3.88
Demand	61,562	1,018	1.65	44,422	650	1.46
Subtotal	287,588	9,651	3.36	244,239	8,408	3.44
Total	1,371,108	33,886	2.47	1,336,090	35,286	2.64

Note:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

Interest expenses on due to banks and other financial institutions

Interest expense on due to banks and other financial institutions amounted to RMB6.725 billion, representing an increase of RMB2.10 billion or 45.41% as compared to that of last year, primarily due to the increase in deposits from banks and other financial institutions.

Debt securities issued

Interest expense on debt securities issued amounted to RMB8.453 billion, representing an increase of RMB1.945 billion or 29.89% as compared to that of last year, primarily due to the increase in debt securities issued.

Management Discussion and Analysis

(4) Net non-interest income

Net non-interest income in 2021 amounted to RMB12.632 billion, representing an increase of RMB1.956 billion or 18.32% as compared to that of last year. Specifically, the net fee and commission income was RMB4.05 billion, representing a decrease of RMB200 million as compared to that of last year, while other net non-interest income was RMB8.582 billion, representing an increase of RMB2.156 billion as compared to that of last year.

Net fee and commission income

In RMB million, except percentages

Item	2021	2020	Amount of increase or decrease	Growth rate (%)
Agency and entrusted service	1,384	706	678	96.03
Commitment and guarantee service	1,088	726	362	49.86
Underwriting and consultation service	766	2,004	(1,238)	(61.78)
Settlement and clearing service	498	371	127	34.23
Custodian and fiduciary service	487	517	(30)	(5.80)
Fee from bank cards	263	277	(14)	(5.05)
Others	219	174	45	25.86
Fee and commission income	4,705	4,775	(70)	(1.47)
Less: fee and commission expense	655	525	130	24.76
Net fee and commission income	4,050	4,250	(200)	(4.71)

Fee income from agency and entrusted service was RMB1.384 billion, representing an increase of RMB678 million as compared to that of last year, primarily due to the increased scale of the agency and entrusted business.

Fee income from commitment and guarantee service was RMB1.088 billion, representing an increase of RMB362 million as compared to that of last year, primarily due to the increased scale of the guarantee commitment business.

Fee income from underwriting and consultation service was RMB766 million, representing a decrease of RMB1.238 billion as compared to that of last year, primarily due to the decreased scale of the bond underwriting business.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2021	2020	Amount of increase or decrease	Growth rate (%)
Net trading gains	7,238	4,367	2,871	65.74
Net gains on financial investments	773	1,552	(779)	(50.19)
Other operating income	571	507	64	12.62
Total	8,582	6,426	2,156	33.55

Other net non-interest income was RMB8.582 billion, representing an increase of RMB2.156 billion or 33.55% as compared to that of last year.

(5) Operating expenses

In RMB million, except percentages

Item	2021	2020	Amount of increase or decrease	Growth rate (%)
Staff costs	9,182	8,197	985	12.02
General and administrative expenses	2,866	2,568	298	11.60
Depreciation and amortization expenses	1,679	1,560	119	7.63
Tax and surcharges	853	620	233	37.58
Others	192	297	(105)	(35.35)
Total	14,772	13,242	1,530	11.55

Operating expenses amounted to RMB14.772 billion, representing an increase of 11.55% as compared to last year, primarily due to our business expansion and the increased number of our outlets and staff.

(6) Expected credit losses

In RMB million, except percentages

Item	2021	2020
Deposits with banks and other financial institutions	(2)	295
Placements with banks and other financial institutions	74	119
Loans and advances to customers	11,994	9,877
Financial investments	12,728	9,064
Finance lease receivables	510	583
Off-balance sheet items	(727)	150
Other assets	254	78
Total	24,831	20,166

Management Discussion and Analysis

(7) Income tax expenses

The income tax expenses were RMB2.065 billion, representing a year-on-year increase of RMB261 million or 14.47%, and the effective tax rate was 13.78%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Notes to Financial Statements-10 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

In RMB million, except percentages

Item	2021		2020	
	Amount	Proportion	Amount	Proportion
Corporate banking business	27,791	50.91	26,679	55.85
Retail banking business	12,816	23.48	10,552	22.09
Treasury business	12,241	22.43	9,003	18.85
Other businesses	1,736	3.18	1,537	3.21
Total operating income	54,584	100.00	47,771	100.00

Segment operating results by geographic region

In RMB million, except percentages

Item	2021		2020	
	Amount	Proportion	Amount	Proportion
Yangtze River Delta Region	32,339	59.25	25,954	54.32
Bohai Rim Region	7,954	14.57	8,339	17.46
Pearl River Delta and West Strait Economic Zone	4,407	8.07	3,891	8.15
Midwestern China Region	9,884	18.11	9,587	20.07
Total operating income	54,584	100.00	47,771	100.00

2. Analysis on Statement of Financial Position

In 2021, the Group focused on the overall objective of “two most” and was guided by the twelve-word operation policy of “scaling up, structural adjustment, risk control and increasing cost-effectiveness”, striving to create a new development pattern for the simultaneous and synergistic development of five business segments. During the reporting period, we achieved steady growth in assets and liabilities, continued optimization of our business structure and effective improvement in operational quality and efficiency.

Management Discussion and Analysis

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB2,286.723 billion, representing an increase of RMB238.498 billion or 11.64% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,311.889 billion, representing an increase of RMB146.014 billion or 12.52% as compared to that at the end of last year. Financial investments amounted to RMB651.822 billion, representing an increase of RMB123.437 billion or 23.36% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 57.37% of total assets, increased by 0.45 percentage point as compared to that at the end of last year, and the financial investments accounted for 28.50%, increased by 2.70 percentage points as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,347,239		1,197,698	
Less: allowance for ECLs of loans ⁽¹⁾	(35,350)		(31,823)	
Net loans and advances to customers	1,311,889	57.37	1,165,875	56.92
Financial investments ⁽²⁾	651,822	28.50	528,385	25.80
Cash and balances with central bank	141,510	6.19	137,441	6.71
Precious metal	5,899	0.26	19,478	0.95
Due from banks and other financial institutions ⁽³⁾	74,505	3.26	101,531	4.96
Other assets	101,098	4.42	95,515	4.66
Total assets	2,286,723	100.00	2,048,225	100.00

Notes:

- (1) Allowance for ECL of loans represents allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) The financial investments at the end of the year include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

Management Discussion and Analysis

Loans

The Group responded positively to the national policy guidance, adhered to the origin of financial services for the real economy, focused on its main responsibilities and main business, continued to increase credit investment to serve the real economy, continuously optimized credit structure, and focused on strengthening its support for small and micro enterprises, manufacturing enterprises, green and carbon finance and other key areas and industries supported by China. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,311.889 billion, representing an increase of RMB146.014 billion or 12.52% as compared to that at the end of last year.

Loan structure by business type

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans	882,990	65.54	788,066	65.80
Discounted bills	78,855	5.85	73,088	6.10
Personal loans	381,494	28.32	333,108	27.81
Changes in fair value through other comprehensive income	238	0.02	(152)	(0.01)
Accrued interest	3,662	0.27	3,588	0.30
Total	1,347,239	100.00	1,197,698	100.00

Corporate loans

The Group leveraged its differentiated and distinctive competitive advantages to continuously improve its customer service capabilities and customer acquisition capabilities, in order to promote the expansion and quality of its basic customer groups, with continuously optimized corporate loan structure and increasingly enhanced quality and efficiency of serving the real economy. As at the end of the reporting period, total corporate loans amounted to RMB882.99 billion, representing an increase of 12.05% as compared to that at the end of last year.

Discounted bills

The Group focused on our customers' and market demand, and improved the comprehensive returns on bill assets through optimization of structure and acceleration of turnover. As at the end of the reporting period, total discounted bills amounted to RMB78.855 billion, representing an increase of 7.89% as compared to that at the end of last year.

Management Discussion and Analysis

Personal loans

The Group was service-oriented, relying on financial technology to strengthen its retail business operation in basic customer groups, vigorously develop its wealth management business, strengthen cross-line interactive marketing, enhance its comprehensive customer management and service capabilities and continuously promote the growth of personal loans business. As at the end of the reporting period, total personal loans amounted to RMB381.494 billion, representing an increase of 14.53% as compared to that at the end of last year.

Financial investments

The Group made better use of capital and optimized investment portfolio and structure on the basis of ensuring liquidity and risk control. As at the end of the reporting period, total financial investments amounted to RMB651.822 billion, representing an increase of 23.36% as compared to that at the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	88,881	13.64	82,673	15.65
Bond investments	466,736	71.60	373,390	70.66
Trust schemes and asset management plans	98,122	15.05	75,499	14.29
Other financial investments	6,945	1.07	3,368	0.64
Accrued interest	7,813	1.20	6,986	1.32
Impairment provision	(16,675)	(2.56)	(13,531)	(2.56)
Total	651,822	100.00	528,385	100.00

Note: Other financial investments include equity investments, other debt instruments and other equity instrument investments.

Management Discussion and Analysis

(2) Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB2,119.84 billion, representing an increase of RMB204.158 billion or 10.66% as compared to that at the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	50,990	2.41	84,768	4.42
Customer deposits	1,415,705	66.79	1,335,636	69.73
Due to banks and other financial institutions	277,997	13.11	197,716	10.32
Financial liabilities at fair value through profit or loss	12,512	0.59	9,231	0.48
Debt securities issued	318,908	15.04	236,682	12.35
Others	43,728	2.06	51,649	2.70
Total liabilities	2,119,840	100.00	1,915,682	100.00

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

Customer deposits

The Group actively responded to the changes in market demand to continuously optimize the deposit structure. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,415.705 billion, representing an increase of RMB80.069 billion or 5.99% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB146.526 billion or 13.76%; and personal deposits decreased by RMB67.592 billion or 26.71%. With respect to term structures, time deposits decreased by RMB93.421 billion or 10.92%; and demand deposits increased by RMB172.355 billion or 37.24%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	566,580	40.02	417,686	31.27
Time	644,897	45.56	647,265	48.46
Sub-total	1,211,477	85.58	1,064,951	79.73
Personal deposits				
Demand	68,625	4.85	45,164	3.38
Time	116,827	8.25	207,880	15.56
Sub-total	185,452	13.10	253,044	18.94
Other deposits	1,758	0.12	1,941	0.15
Accrued interest	17,018	1.20	15,700	1.18
Total	1,415,705	100.00	1,335,636	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB164.169 billion in total, representing an increase of RMB33.657 billion or 25.79% as compared to that at the end of last year. Please see "Financial Statements-Consolidated Statement of Changes in Shareholders' Equity".

Management Discussion and Analysis

(IV) Analysis of the Loan Quality

1. Loan distribution by risk classification

In RMB million, except percentages

Item	December 31, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	1,292,789	95.96	1,156,347	96.55
Special mention	29,883	2.22	20,870	1.74
Non-performing	20,667	1.53	17,045	1.42
Substandard	5,275	0.39	9,913	0.83
Doubtful	12,452	0.92	4,146	0.34
Loss	2,940	0.22	2,986	0.25
Changes in fair value through other comprehensive income	238	0.02	(152)	(0.01)
Accrued interest	3,662	0.27	3,588	0.30
Total loans and advances to customers	1,347,239	100.00	1,197,698	100.00

The loan quality of our Group was kept at a stable level. As at the end of the reporting period, according to the risk classification of the supervision system, the pass loans amounted to RMB1,292.789 billion, representing an increase of RMB136.442 billion as compared with that at the end of last year, accounting for 95.96% of total loans and advances to customers. Loans classified as special mention were RMB29.883 billion, representing an increase of RMB9.013 billion as compared with that at the end of last year, accounting for 2.22% of total loans and advances to customers. The non-performing loans were RMB20.667 billion, representing an increase of RMB3.622 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.53%, representing an increase of 0.11 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

2. Distribution of loans and non-performing loans by business type

In RMB million, except percentages

Item	December 31, 2021				December 31, 2020			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	882,990	65.54	16,581	1.88	788,066	65.80	14,640	1.86
Personal loans	381,494	28.32	4,086	1.07	333,108	27.81	2,399	0.72
Discounted bills	78,855	5.85	0	0.00	73,088	6.10	6	0.01
Changes in fair value through other comprehensive income	238	0.02	N/A	N/A	(152)	(0.01)	N/A	N/A
Accrued interest	3,662	0.27	N/A	N/A	3,588	0.30	N/A	N/A
Total loans and advances to customers	1,347,239	100.00	20,667	1.53	1,197,698	100.00	17,045	1.42

As at the end of the reporting period, our non-performing corporate loans amounted to RMB16.581 billion, representing an increase of RMB1.941 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.88%, representing an increase of 0.02 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB4.086 billion, representing an increase of RMB1.687 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.07%, representing an increase of 0.35 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In RMB million, except percentages

Item	December 31, 2021				December 31, 2020			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	882,990	65.54	16,581	1.88	788,066	65.80	14,640	1.86
Leasing and commercial services	189,602	14.07	2,586	1.36	168,182	14.04	1,316	0.78
Manufacturing	174,473	12.96	6,927	3.97	136,187	11.37	8,187	6.01
Real estate	168,724	12.52	1,052	0.62	165,208	13.79	146	0.09
Wholesale and retail trade	127,356	9.45	1,641	1.29	99,635	8.32	1,493	1.50
Construction	57,425	4.26	761	1.33	53,241	4.45	635	1.19
Administration of water conservancy, environment and public facilities	50,091	3.72	264	0.53	54,597	4.56	3	0.01
Financing	30,277	2.25	0	0.00	39,498	3.30	0	0.00
Electricity, heat, gas and water production and supply	14,999	1.11	37	0.25	10,900	0.91	44	0.40
Accommodation and Catering	12,493	0.93	160	1.28	10,711	0.89	41	0.38
Transportation, storage and postal service	11,466	0.85	64	0.56	11,351	0.95	91	0.80
Mining	8,113	0.60	332	4.09	3,895	0.33	0	0.00
Others ⁽¹⁾	37,971	2.82	2,757	7.26	34,661	2.89	2,684	7.74
Personal loans	381,494	28.32	4,086	1.07	333,108	27.81	2,399	0.72
Discounted bills	78,855	5.85	0	0.00	73,088	6.10	6	0.01
Changes in fair value through other comprehensive income	238	0.02	N/A	N/A	(152)	(0.01)	N/A	N/A
Accrued interest	3,662	0.27	N/A	N/A	3,588	0.30	N/A	N/A
Total loans and advances to customers	1,347,239	100.00	20,667	1.53	1,197,698	100.00	17,045	1.42

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In 2021, our Group actively supported the development of the real economy and followed the national economic restructuring, with a priority focus on national economy basic industries and national strategic emerging industries. Differential risk prevention and control strategies were formulated for areas such as real estate with a view to optimizing the allocation of credit resources continually.

Management Discussion and Analysis

4. Distribution of loans and non-performing loans by geographic region

In RMB million, except percentages

Item	December 31, 2021				December 31, 2020			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	731,277	54.28	14,519	1.99	687,825	57.43	11,442	1.66
Midwestern China Region	242,868	18.03	3,216	1.32	203,660	17.00	2,826	1.39
Bohai Rim Region	193,924	14.39	2,207	1.14	167,846	14.01	1,846	1.10
Pearl River Delta and West Strait Economic Zone	175,270	13.01	725	0.41	134,931	11.27	931	0.69
Changes in fair value through other comprehensive income	238	0.02	N/A	N/A	(152)	(0.01)	N/A	N/A
Accrued interest	3,662	0.27	N/A	N/A	3,588	0.30	N/A	N/A
Total loans and advances to customers	1,347,239	100.00	20,667	1.53	1,197,698	100.00	17,045	1.42

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to actively prevent regional risks and support regional development.

5. Distribution of loans and non-performing loans by security type

In RMB million, except percentages

Item	December 31, 2021				December 31, 2020			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	599,867	44.52	5,913	0.99	531,033	44.34	4,145	0.78
Pledged loans	100,573	7.47	777	0.77	115,855	9.67	2,031	1.75
Guaranteed loans	199,474	14.81	10,197	5.11	177,085	14.79	9,664	5.46
Unsecured loans	364,570	27.06	3,780	1.04	297,201	24.81	1,199	0.40
Discounted bills	78,855	5.85	0	0.00	73,088	6.10	6	0.01
Changes in fair value through other comprehensive income	238	0.02	N/A	N/A	(152)	(0.01)	N/A	N/A
Accrued interest	3,662	0.27	N/A	N/A	3,588	0.30	N/A	N/A
Total loans and advances to customers	1,347,239	100.00	20,667	1.53	1,197,698	100.00	17,045	1.42

Management Discussion and Analysis

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans accounted for 44.52% of the total loans and advances to customers, which was a relatively high percentage; the mortgage loans balance was RMB599.867 billion, representing an increase of RMB68.834 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB5.913 billion, with the non-performing loan ratio of 0.99%, representing an increase of 0.21 percentage point compared with that at the end of last year.

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Percentages of total loans and advances to customers (%)
A	Leasing and commercial services	3,960	0.29
B	Real estate	3,680	0.27
C	Leasing and commercial services	3,100	0.23
D	Manufacturing	3,052	0.23
E	Leasing and commercial services	3,038	0.23
F	Leasing and commercial services	2,874	0.21
G	Real estate	2,600	0.19
H	Real estate	2,550	0.19
I	Real estate	2,408	0.18
J	Manufacturing	2,325	0.17
Total		29,587	2.19

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB3.96 billion, representing 2.04% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB29.587 billion, representing 15.22% of the net capital and 2.19% of the total loans and advances to customers of the Group.

Management Discussion and Analysis

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2021		December 31, 2020	
	Amount	Percentages of total loans and advances to customers (%)	Amount	Percentages of total loans and advances to customers (%)
Overdue by 1 day to 90 days	5,166	0.38	6,609	0.55
Overdue by 90 days to one year	6,554	0.49	10,186	0.85
Overdue by one year to three years	10,461	0.78	4,720	0.39
Overdue by more than three years	235	0.02	144	0.01
Total	22,416	1.66	21,659	1.81

As at the end of the reporting period, the balance of overdue loans amounted to RMB22.416 billion, representing an increase of RMB757 million as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB17.25 billion, representing an increase of RMB2.20 billion as compared with that at the end of last year.

8. Renegotiated loans

The Group conducted strict and prudent control over loan renegotiation. As at the end of the reporting period, total renegotiated loans and advances amounted to RMB835 million, representing an increase of RMB272 million as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB86 million, representing an increase of RMB41 million as compared with that at the end of last year.

9. Movements in the expected credit loss (“ECL”) allowance on loans

In RMB million

Item	Amount
Balance at the beginning of the year	32,559
Provision for the period	11,994
Unwinding of discount on ECL allowance	(198)
Write-offs	(7,763)
Transfer out	(1,477)
Recovered loans and advances previously written off	981
Impact of exchange rate fluctuations	(9)
Balance at the end of the year⁽¹⁾	36,087

(1) Balance at the end of the year includes provision made for the loss of loans and advances to customers measured at amortized cost and measured at fair value through other comprehensive income.

Management Discussion and Analysis

(V) Capital Management

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》, the measurement range of the Group's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.

As at the end of the reporting period, capital adequacy ratio of the Group was 12.89%, tier-one capital adequacy ratio was 10.80%, core tier-one capital adequacy ratio was 8.13%, and leverage ratio was 5.93%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2021	December 31, 2020
Net core tier-one capital	122,602	116,378
Other tier-one capital	40,224	15,125
Net tier-one capital	162,826	131,503
Tier-two capital	31,530	40,486
Net capital base	194,356	171,988
Risk-weighted assets	1,507,438	1,330,565
Core tier-one capital adequacy ratio (%)	8.13	8.75
Tier-one capital adequacy ratio (%)	10.80	9.88
Capital adequacy ratio (%)	12.89	12.93

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2021	December 31, 2020
Net tier-one capital	162,826	131,503
Adjusted asset balance inside and outside the balance sheet	2,747,016	2,466,330
Leverage ratio (%)	5.93	5.33

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Company was 12.87%, tier-one capital adequacy ratio was 10.81%, core tier-one capital adequacy ratio was 8.08%, and leverage ratio was 5.84%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	December 31, 2021	December 31, 2020
Net core tier-one capital	118,229	113,026
Other tier-one capital	39,953	14,958
Net tier-one capital	158,182	127,983
Tier-two capital	30,147	39,755
Net capital base	188,329	167,738
Risk-weighted assets	1,463,022	1,296,465
Core tier-one capital adequacy ratio (%)	8.08	8.72
Tier-one capital adequacy ratio (%)	10.81	9.87
Capital adequacy ratio (%)	12.87	12.94

Leverage ratio (the Company)

In RMB million, except percentages

Item	December 31, 2021	December 31, 2020
Net tier-one capital	158,182	127,983
Adjusted asset balance inside and outside the balance sheet	2,706,360	2,435,738
Leverage ratio (%)	5.84	5.25

(VI) Risk Management

1. Comprehensive risk management system

Adopting a “prudent and solid” risk appetite, the Company has implemented the platform-based service strategy, by focusing on the twelve-word operation policy of “scaling up, structural adjustment, risk control and increasing cost-effectiveness” to effectively serve the real economy and strengthen risk management. We intensify credit management by adhering to the principle of “small and diversified” in granting credit, strengthen the guidance of credit to customers, industries and regions to optimize business structure, strictly control the risk of new business and accelerate the disposal of existing risk assets to maintain stable asset quality, deepen the application of financial technology to strengthen the whole process of risk management and risk control in key areas, and accelerate the construction of a comprehensive risk management system to adapt to the new development pattern to promote the Company’s high-quality development, in order to lay a more solid foundation for accelerating the achievement of the overall goal of “two most”.

Management Discussion and Analysis

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Board of supervisors is responsible for supervision of comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The senior management has established special committees including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at our head office is the leading executive department for operational risk and compliance risk management. The general office at our head office is the leading executive department for reputational risk management. The development and planning department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to departments subject to higher business complexity and relatively concentrative risks at our head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organize risk management. They are independent of such departments and directly report to the president of our head office. They make business judgment and report on risk issues independently. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit business related risk management, focus on the management and control over risks of large giving credit customers as well as complicated and difficult businesses and are independent of such branches and directly report to the president of our head office. They make business judgment and report on risk issues independently.

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Board of Supervisors, the Senior Management, the risk management and internal control committee, the credit, investment and transaction review committee of the head office, the credit, investment and transaction review committee of the branches, the credit review teams of sub-branches, the risk management department of the head office and other credit risk control departments, business operation and management departments, financial technology department, audit department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

Management Discussion and Analysis

The Company formulates fundamental credit policies based on changes in external operating environment and internal operating and risk conditions. Such policies expressly set out guidance on certain aspects of our credit business, such as customer structure, industry structure, regional structure and key business areas. In addition, the Company regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro economy and the industry.

The Company classifies its credit assets by reference to the standards set forth in the Guidelines on Risk-Based Classification of Loans 《貸款風險分類指引》 of the CBIRC, comprehensively taking into account such factors as a borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of a credit project and status of a guarantee. The Company's credit asset risks are initially classified by client managers, then reviewed by the head of the marketing department and examined by risk management personnel and finally determined by authorized people.

(1) Credit risk management for corporate customers

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with relevant regulatory requirements of the CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factoring, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company determines comprehensive credit limits of single corporate customers and group customers.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of loan risks related to financing platforms of local governments (defined in the Company's policy as state-owned enterprises in urban construction and public services categories; similarly hereinafter), strictly complies with various loan policies and regulatory requirements of the CBIRC on financing platforms of local governments, makes dynamic adjustments to targets of credit granting, and further optimizes the loan structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits for loans to local governments' financing platforms and enhances our monitoring and management on the loan risks.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets dynamic credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

Management Discussion and Analysis

(2) Credit risk management for small and micro enterprises

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business and intensifies measures for risk mitigation. The Company strictly controls overdue loans and non-performing loans by tracking overdue loans and on-site and off-site monitoring.

(3) Credit risk management for retail customers

The Company actively builds its credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance capability. The Company formulates the entry barriers for different groups of customers, adopts controls over overall limits of personal loans, restrains risks associated with loans with multiple borrowers as well as improves and optimizes the management mechanism of credit risks associated with personal loans. The Company continuously enhances selection and management of guarantees and improves its ability to mitigate credit risks. The Company continues to strengthen subsequent management of personal loans such as post-loan monitoring, collection of overdue loans and disposal of non-performing loans.

The Company has established a credit card risk management system featuring pre-business risk prevention, on-going risk monitoring during the process and post-business risk management. The Company has formulated a complete set of rules and regulations to standardize various credit card business procedures, such as marketing and promotion procedures of credit cards and credit extension approval procedures. The Company continues to improve the design and operation of procedures for card issuance business, the determination and control of overall business risk tolerance, as well as the identifying, measuring, monitoring, assessment, control, mitigation and disposal of risks during and after the grant of a loan.

(4) Credit risk management for financial institution customers

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies for the management of the concentration of customer risks.

Management Discussion and Analysis

3. Market risk management

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s market risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Management Discussion and Analysis

4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, and ability to obtain financing in the market and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

As of the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 54.28%. The Company's liquidity coverage ratio was 165.77%, of which our high-quality liquid assets amounted to RMB254.379 billion, and the net cash outflows over the next 30 days was RMB153.454 billion. The Company's net stable fund ratio was 106.52%, of which stable fund available was RMB1,271.415 billion and stable fund required was RMB1,193.641 billion.

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As of the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 54.36%. The Group's liquidity coverage ratio was 163.50%, of which our high-quality liquid assets amounted to RMB254.379 billion, and the net cash outflows over the next 30 days was RMB155.587 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2021	105.38	12,876.93	12,219.82
As at September 30, 2021	105.66	12,202.65	11,549.32

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud, external fraud, employment systems and safety incidents at working places, incidents related to clients, product and business activity, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, internal control and compliance and legal department, financial technology department, audit department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing its operational risk management as well as formulation and implementation of basic systems and policies of the Bank for operational risk management.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us and maximize comprehensive benefits after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors and controls (mitigates) the operation risks by enhancing our internal control as an effective means to operational risk management.

During the reporting period, the Company followed the management principles of "full coverage, clearly defined duties, honest reporting and quick response", adjusted its management strategies and priorities in due time according to changes in internal and external financial situations, continued to improve its operational risk management systems appropriate to our business nature, size and complexity to effectively identify, evaluate, monitor and control (mitigate) operational risks. The Company improved its operational risk management systems by optimizing risk management and control methods and management process; strengthened the systematic construction in key areas, with continuous efforts to optimize the functions of systems across the Bank to improve the rigid control and service capabilities

Management Discussion and Analysis

of these systems; actively implemented the latest requirements in the new standard method of Basel III by initiating the operational risk project to advance the new capital regulations; strengthened legal risk prevention and control, for example, making timely revisions to contracts, and interpreting and analyzing hot events; improved staff behavior management with closer controls over the performance of key positions and clarification of the prohibitions on staff behavior to pursue the requirements of COVID-19 pandemic prevention and control; intensified supervision, inspection and accountability, in particular, identifying risks hidden in key areas and key processes, as well as improving its in-house ability in risk identification and correction; and improved safety and security management to ensure safe production at important points in time by carrying out safety inspections to eliminate risks and hazards in a timely manner. During the reporting period, the operational risk management systems of the Company operated stably and the operational risk was generally under control.

6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, planning and finance department (asset and liability management department), international business department, financial market department, retail banking department and other business operation and management departments of the head office, financial technology department and audit department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

The Company continuously advances the country risk management work pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated basic country risk management systems, limit management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc. with respect to country risk limit management, and set the index and threshold of country risk limits; regularly evaluated and monitored country risks and accrued a provision for country risks.

Management Discussion and Analysis

7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and reduce fluctuations in net interest income and economic value of banking book to maximize the comprehensive benefits across the Bank.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company measures and evaluates our interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Company paid close attention to substantial situation of external environment and internal interest rate risk in the banking book, and flexibly adjusted its asset and liability structure. As at the end of the reporting period, the Company's interest rate risk in the banking book was controlled within its risk management and control objectives and the interest rate risk in the banking book was generally under control.

8. Reputational risk management

Reputational risk refers to the risk of negative view of the Company by interested parties, the public and the media as a result of our actions, staff behaviour or external events, which may damage our brand value, adversely affect our normal operation, or even impact the market stability and social stability.

Reputational risk management refers to the establishment of a whole process of reputational risk management system covering pre-business assessment, risk monitoring, grading identification and judgment, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, etc. to achieve reputational risk management objectives, build up a good social image, and form a complete closed loop of reputational risk management, and the improvement of daily reputational risk management in terms of risk identification, emergency drill, interactive mechanism, social supervision, reputational capital accumulation, internal audit and collaboration with the industry.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Company, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

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The Company's reputational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, executive office, risk management department, financial technology department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for managing and organizing the reputational risk management across the Bank as well as the formulation and improvement of relevant systems and policies for reputational risk management of the Company.

During the reporting period, the Company took the implementation of the CBIRC's reputational risk management approach as the starting point, comprehensively revised its reputational risk management system, and refined its regular prevention and control to achieve the whole process of reputational risk management. The timeliness, foresight and effectiveness of reputational risk prevention and control were greatly enhanced through the establishment of a digital monitoring platform, the shifting of pre-business assessment beforehand, on-going interactive handling and proactive guidance, and clear post-business accountability. The Company continued to conduct staff training on reputational risk response, while increasing positive publicity and enhancing the public opinion guidance to further expand the Company's market influence and positive image.

9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, development and planning department, audit department, financial technology department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Adhering to the principle of "clear responsibilities, proactive prevention, overall evaluation and timely adjustment", the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Our major management measures taken include: formulation and implementation of the "Fourth Five-Year Plan" for the development in next five years; further clarification of operation thinking and planning for high-quality development; taking the initiative to integrate into the digital reform of Zhejiang Province and accelerate digital transformation; adjustment and optimization of organizational structure to better serve business development; increasing support for private and small and micro enterprises by implementing the upgraded smooth financing project; and doing well in COVID-19 pandemic prevention and control without slackening.

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10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company's compliance risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, the risk management and internal control committee, the risk management department, internal control, compliance and legal affair department, the audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, the Company conscientiously pursued various national policies and regulatory requirements, and solidly promoted the implementation of various internal control and compliance management initiatives to continuously improve its compliance risk management capabilities and level. It correctly comprehended the direction of compliance, ensured that regulatory requirements were delivered in place, and took the regulatory system and requirements as the bottom line, red line and high-voltage power line for business development; It continued to improve the system of rules and regulations, strengthen the construction of "system library", and enhance the overall management and post-evaluation of the system; It continued to promote the construction of a compliance culture, carrying out multi-level compliance education and training, implementing the commitment for internal control compliance and case prevention and the examinations of internal control compliance for all staff, and conducting regular warning and education activities; It also continued to consolidate and enhance the effectiveness of the rectification of chaos, carrying out the campaign of "Year of Internal Control and Compliance Management Construction" (內控合規管理建設年), and conducting crime crackdown project regularly; It strengthened the management of regulatory affairs, by proactively identifying, assessing, mitigating and controlling compliance risks, adhering to the problem-oriented approach, increasing the efforts to prompt compliance risks warning, continuously following up and supervising the rectification of problems, to continuously improve the level of internal control and compliance management of institutions at all levels; It promoted the construction of consumer protection system and mechanism, by emphasizing consumer information protection, reducing the number of complaints referred by the regulatory authorities, and doing well in financial propaganda and education.

Management Discussion and Analysis

11. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, information technology management committee, business continuity management committee, the risk management department, the financial technology department, the audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as formulating and implementing relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301 and ISO27001 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, information security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

During the reporting period, the Company formulated and implemented the "Fourth Five-Year Plan" for Financial Technology of CZBank to strengthen the leadership of financial technology innovation, fully implement the platform-based service strategy and digital transformation, continue to improve the integrated service platform of "finance + technology + industry + customer", deepen its efforts in the field of supply chain financial services, and built up its featured competitive advantages. It applied for more than 80 financial technology invention patents, obtained more than 40 software copyrights, and published the first white paper in the banking industry for blockchain's industry chain finance. It continuously improved network security governance, data security management and customer financial information protection, by establishing the "CZBank Network Security Innovation Lab", strengthening network security innovation and team building, and enhancing network security risk protection; It continuously carried out monitoring, assessment, measurement, control and reporting of operational risks of important information systems to improve operation and maintenance management system and enhance automated and integrated operation and maintenance capabilities. It continued to improve the disaster preparedness system of "three centres in two cities", and advance the dual-active deployment of disaster recovery for application systems to further enhance the guarantee capability for business continuity. It also continued to promote emergency management, by deploying annual emergency drill plans, improving emergency plans and conducting real switchover drills for information system to achieve dual-active co-location applications and fast one-key switchover. During the reporting period, the systems operated stably without occurring any substantial information technology risk.

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12. Anti-money laundering management

The Company has established and optimized the anti-money laundering operation mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China 《中華人民共和國反洗錢法》, the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector 《銀行業金融機構反洗錢和反恐怖融資管理辦法》 and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》, so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and efficiency of anti-money laundering management.

During the reporting period, in strict compliance with the laws and regulations concerning anti-money laundering, the Company fulfilled its legal obligation and social responsibility with respect to anti-money laundering, optimized the anti-money laundering management structure and operation mechanisms and improved the anti-money laundering system and business process. By intensifying customer identification and monitoring reports on large-amount transactions and suspicious transactions, it advanced the anti-money laundering system and model; It provided business risk warnings to relevant departments, strengthened anti-money laundering supervision and inspection and business guidance, and enhanced monitoring, management and control over high-risk businesses and high-risk customers; It also implemented the money laundering risk self-assessment pilot to enhance money laundering risk prevention and control, organized anti-money laundering publicity and training, and actively cooperated with regulatory inspections and anti-money laundering investigations and co-inspections to comply with all regulatory requirements in respect of anti-money laundering, therefore achieving the stable and orderly operation of its anti-money laundering work.

(VII) Business Summary

In 2021, centering on the operation policy of “scaling up, structural adjustment, risk control and increasing cost-effectiveness” and under the cohesive and common efforts of all the staff, the Bank was able to focus on its principal responsibility and business, while making further achievements in financial technology innovation. Meanwhile, by rendering wholehearted services for the real economy and promoting inclusive finance, the Bank creates a new development pattern for the simultaneous and synergistic development of the five major business segments, namely “great retail, great corporate, great investment banking, great asset management, and great cross border”.

1. Great Retail Segment

(1) Retail Business

During the reporting period, the Company's retail business actively transformed and innovated, focusing on efficiency growth, paying close attention to its core businesses such as wealth management and consumer loans, and adhering to its customer service orientation, to effectively promote the steady development of its retail business. During the reporting period, the operating income from retail business was RMB12.816 billion, representing a year-on-year increase of 21.46%, including a year-on-year increase of 145.82% in the income from consignment commission charge. As at the end of the reporting period, the Bank had 8,356.50 thousand personal customers (including debit and credit card customers), with a balance of RMB524.465 billion in personal financial assets, and 10,400 private banking customers with daily average financial assets in a month of RMB6.00 million or above, of which the balance of financial assets amounted to RMB155.948 billion.

Management Discussion and Analysis

① Personal deposits and loans business

During the reporting period, the personal deposits structure of the Company continued to be optimized. As at the end of the reporting period, the Bank's personal deposits balance was RMB185.452 billion, and the average cost, decreased by 8 BPS from the previous year, thus the cost structure of personal deposits was effectively improved.

During the reporting period, the Bank's personal loans grew well. As at the end of the reporting period, the balance of personal loans (including personal housing loans and personal consumer loans) amounted to RMB211.819 billion, representing an increase of 16.50% over the beginning of the year. In terms of personal housing loans, we were determined to pursue the positioning that "houses are for living, not for speculation", and strictly carried out national macro-control policies to support residents' reasonable housing needs, achieving sound development. In terms of consumer loans, we continued to pursue the development path of platform-based customer acquisition, online operation and intelligent risk control, and optimize the platform for "e-bank" assets pool, with a total of 644.70 thousand customers signed up, total assets in the pool amounting to RMB188.367 billion and a financing balance of RMB84.763 billion. We insisted on "independent risk control and equal and mutual benefit" in cooperation with external institutions in the retail business of internet loans, focusing on various consumer scenarios to make deeper and more thorough scenario-based special instalment business.

② Wealth management

During the reporting period, the Company continued to strengthen the foundation for the development of its wealth business and committed to establishing itself into a "platform-based wealth manager bank". Continuously optimizing the structure of banking wealth management business, the Company has launched many net-value wealth management products, including "Shengxin Win" (升鑫赢), "Juxin Win" (聚鑫赢), "Yongxin Zengli Anxiang" (湧薪增利安享) and "Yongxin Zengli Zunxiang" (湧薪增利尊享). As at the end of the reporting period, the Company's net-value wealth management balance of individuals was RMB171.633 billion, and its share in personal wealth management increased by 41 percentage points as compared to the end of the previous year, with significant progress made in the restructuring of its business. With the starting point of continuously meeting the comprehensive financial needs of individual customers, the agency business took the fund on consignment as a breakthrough point to continuously enrich the agency products and advance the rapid development of agency business. During the reporting period, the Company's sales volume of non-monetary public funds in agency business increased by 163.53% year-on-year and the retention of non-monetary public funds increased by 224.36% as compared with the end of the previous year; the sales volume of pooled asset management plan in agency business increased by 74.92% year-on-year; the sales volume of pooled fund trust plan in agency business was doubled; and the agency premium increased by 42.30% year-on-year. We made innovation in customer marketing methods and continued to build innovative digital and online marketing capabilities and customer operation and service capabilities. We were actively building a retail customer benefits system based on "points reward system + e-mail" infrastructure, and giving full play to the customer acquisition, customer maintenance and customer enhancement capabilities of the comprehensive retail financial services platform through the digital integrated operation of the benefits system and the financial products system.

Management Discussion and Analysis

③ Private banking

The Company's private banking business adheres to the philosophy of "passing of wealth and wisdom for sustainable development". The Company continues to improve its ability to serve customers, manage wealth and allocate assets by improving three main systems, namely product, featured value-added service and professional team, thus developing the core competitiveness of private banking. While expanding the exclusive portfolio of investment and wealth management products for private banking customers, the Company enhances customer assets allocation and strongly promotes family trusts and insurance trust business to cater for the needs of private banking customers for wealth continuity. Additionally, the Company makes continuous efforts to develop distinctive value-added services including "airport and highspeed rail 7×24 car pickup", airport VIP lounge, private banking customer health interests and customized activities for ultra-high net worth customers.

④ Credit card business

Under the overall layout of the Bank's accelerated efforts to build a new development pattern, the Company's credit card business accelerated its digital and scenario-based transformation, strengthened risk prevention and mitigation, and continuously improved business quality. Our credit card products were further diversified. In order to meet customers' daily consumption and small overdraft credit needs, "Xinhui Card" (鑫惠卡) was launched for quality customers. In order to pursue the deployment of "carbon peak and carbon neutrality" and promote the concept of green, the Green Low Carbon Card was launched too. Meanwhile, we stepped up the promotion of scenario-based instalment business, focusing on home decoration instalment, furniture and household appliance instalment, exploring automobile scenario business, and cooperating with China UnionPay on a pilot basis to develop automobile finance products under financial leasing. During the reporting period, the Bank launched a series of credit card marketing activities covering scenarios such as travel, shopping and movie watching to continuously enhance customer stickiness. The risk management capability of the whole process of credit card business was further strengthened through continuous iteration of risk control policies, expansion and improvement of intelligent approval applications, and expansion and upgrading of various risk systems, thus the Bank continued to improve its risk warning and disposal capability.

As at the end of the reporting period, the Company had issued a total of 3,870.60 thousand credit cards, with an increase of 78.20 thousand cards as compared with the beginning of the year; the balance of credit card loans was RMB17.783 billion, representing an increase of RMB465 million as compared with the beginning of the year; and the balance of instalment was RMB12.032 billion, with an increase of RMB1.383 billion as compared with the beginning of the year. During the reporting period, the Company achieved credit card spending of RMB62.603 billion and the income from credit card business of RMB1.185 billion, including income from installment business of RMB821 million.

Management Discussion and Analysis

(2) Small Enterprises Business

During the reporting period, the Company thoroughly pursued the decision and deployment of Central Committee of CPC and State Council on financial inclusion to serve the overall situation of “six-stability (六穩) and six-security (六保)”, and displayed the advantages of our professional operation to continuously improve the quality and effectiveness of small and micro financial services. As at the end of the reporting period, the Company had 198 specialized institutions for small enterprises, with a balance of RMB236.553 billion in the small and micro enterprise loans under inclusive finance ^(Note 1), representing an increase of RMB34.471 billion from the beginning of the year, and a growth rate of 17.06%, being faster than the growth rate of loans from domestic institutions by 4.63 percentage points; while the number of customers in the small and micro enterprise loans under inclusive finance was 105.80 thousand, successfully reaching the regulatory target of “two increasing”. Interest rates on newly-issued small and micro enterprise loans under inclusive finance continued to decline, with comprehensive financing costs falling by 23 BPS year-on-year (according to the CBIRC); and the non-performing ratio of small and micro enterprise loans under inclusive finance was 0.92%, thus the asset quality continued to remain excellent. During the reporting period, a number of the Company’s financial service cases for small and micro enterprises were included in the *Typical Cases of China’s Financial Inclusion* 《中國普惠金融典型案例》by the People’s Bank of China and the *Compilation of Excellent Cases of Financial Services for Micro, Small and Medium-sized Enterprises in 2021* 《2021金融服務中小微企業優秀案例彙編》 by China Banking Association.

Focusing on financial services for small and micro enterprises in manufacturing industries, the Company provides financial service solutions to enterprises in small and micro parks throughout their business cycle. As at the end of the reporting period, the accumulated credit facilities granted to enterprises in small and micro parks amounted to RMB118.669 billion. Medium- and long-term funding support for emerging industries, intellectual manufacturing, and small and micro enterprises in the park were strengthened, of which the loans accounted for over 60% of the total as at the end of the reporting period. We actively financed small and micro customers upstream and downstream of the industrial supply chain, with a cumulative investment of over RMB6.0 billion in equipment mortgages, dealers, distributors, operating vehicles and other actual business scenarios, serving nearly 30,000 small and micro enterprises and individual businesses upstream and downstream of the industry chain.

We strengthened digital empowerment to facilitate smooth and convenient financing for small and micro enterprises. Using big data and internet technology to empower credit process re-engineering, we implemented online application, mobile investigation, self-service withdrawal and repayment, and simplified loan renewal operations to meet the financing needs in “short-term, small amount, regular and urgency” by small and micro enterprises. As at the end of the reporting period, the online application rate of small and micro loans exceeded 75%, the online withdrawal rate exceeded 95% and the online mortgage registration rate in Zhejiang Province exceeded 90%. We have provided a total of 19.60 thousand small and micro enterprises with services for renewing loans without repayment of principal.

Note 1: According to information on small and micro enterprise loans under inclusive finance from the CBIRC for 2021, the “small and micro enterprise loans under inclusive finance” and “loans” exclude the discounted and inter-bank discounted bills business.

Management Discussion and Analysis

2. Great Corporate Segment

(1) Corporate business

The Company is fully committed to promoting the development strategy of great corporate business segment, focusing on the thread of “scaling up, structural adjustment, risk control and increasing cost-effectiveness” to improve quality and efficiency, and paying close attention to key customers, key businesses, key regions and key persons to solidly advance the increase of operating income and effectively serve the real economy.

Steadily growing scale and continuously optimizing structure. As at the end of the reporting period, the balance of corporate deposits in RMB was RMB1,211.477 billion, with an increase of RMB146.526 billion from the beginning of the year, and the balance of RMB corporate loans (excluding discounted and small enterprise loans) was RMB750.8 billion, with an increase of RMB52.7 billion from the beginning of the year. From January to December, the cost of corporate deposits in RMB decreased by 20.27 BPS from the beginning of the year. The scale of corporate business grew steadily with new structural adjustment achievement. In response to the national strategy, we established three new sub-departments within the Corporate Banking Department of the Head Office: the Real Estate Finance Department was established to implement the policy of “no speculation in housing”, and all regulatory targets for housing loans were met; the Energy Finance Department was established to respond to the national strategy of “carbon peak and carbon neutrality”, and to build a leading carbon trade settlement service bank in China; and the Supply Chain Finance Department was established to respond to the national initiative of “complementing and strengthening chains” in the industrial chain, accumulatively serving more than 7,600 upstream and downstream customers in the supply chain.

Deeply cultivating the entity customer group and helping to transform and upgrade. As at the end of the reporting period, the balance of loans to manufacturing industries was RMB196.0 billion, representing an increase of 18.13% over the beginning of the year, and the completion rate of regulatory targets was 201%; the balance of medium- and long-term loans in manufacturing industries was RMB55.223 billion, representing an increase of 51.15% over the beginning of the year. At the same time, the Company continued to leverage on its featured advantages as a smart manufacturing service bank to help manufacturing enterprises with technological transformation and product upgrading. As at the end of the reporting period, it had established cooperation with 2,161 smart manufacturing enterprises and accumulatively disbursed a total of over RMB604.2 billion in financing. It has launched a comprehensive strategic cooperation with the Department of Economy and Information Technology of Zhejiang Province to advance the “Zhejiang Smart Manufacturing Financing Project” and accurately support the high-quality development of the manufacturing industries in Zhejiang Province. As at the end of the reporting period, it had cooperated with 1,250 customers in the provincial list of Zhejiang Province, with a financing balance of RMB52.1 billion, exceeding the target of “RMB100 billion of special financing” in three years advance.

Management Discussion and Analysis

Continuing to deepen supply chain finance to help differentiate development. The Company actively uses financial technology to carry out digital supply chain financing business. By controlling order flow, logistics, capital flow and data flow, the Company provides various on- and off-balance sheet financing services to supply chain customers in a data-driven manner and taking into account the features of business operation and transaction settlement in supply chain. At present, it has formed characteristic and differentiated supply chain finance solutions in more than 20 industries, including steel, construction, energy, electricity, food, grain, storage and logistics, automobile, home appliances and farming. As at the end of the reporting period, the Company served nearly 400 digital supply chain projects, with an annual investment of over RMB40 billion in 2021, serving over 7,600 upstream and downstream customers, of which more than 75% were small and micro enterprises under inclusive finance, effectively helping upstream and downstream small and micro enterprises to alleviate the problems of difficult, expensive and slow financing.

Intensifying the professional construction of the industry and laying out key areas in advance. The Company focuses on two major areas, namely energy finance and science and innovation finance, to build a distinctive service brand. In the field of energy finance, we focus on the new energy industrial chain and new energy projects, continuously deepen our green finance business, and accelerate the innovation pilot of carbon finance products. As at the end of the reporting period, it had established cooperation with key customers such as State Grid, Southern Power Grid, Datang Group and China Power Investment Corporation. In the field of science and innovation finance, we took the lead in launching the special action for science and innovation enterprises in “Spark Plan” at branches in key regions where science and innovation enterprises are concentrated, such as Beijing, Shanghai, Guangzhou and Shenzhen, focusing on four target groups: enterprises specialized, refined, differentiated and innovative, listed or to be listed companies, unicorns and high-tech enterprises, and introducing special credit policies to solve the difficulties of financing for “asset-light” science and innovation enterprises.

(2) International business

The Company continues to enhance foreign exchange business and cross-border financial diversified products innovation, optimize marketing services and management support, and is committed to building a professional service team, constructing an intelligent service system, innovating platform-based service products, providing enterprises with a full ecological chain of services covering settlement, financing and transactions, fully supporting the development of the real economy of foreign-funded or foreign trade industries and helping the construction of a common prosperity demonstration zone. During the reporting period, the Company achieved a historic breakthrough in the service scale of its international business, accumulatively providing a total of US\$218.2 billion in international settlement service, with increasing distinctive advantages and competitive influence in the market.

The Company actively advocated the concept of “risk neutrality”, provided enterprises with efficient and convenient exchange rate hedging services, continued to enrich “Zheshang Huiliying” (浙商匯利盈), a product providing agency services for foreign exchange transactions, continuously optimized “Zheshang Trading Treasure” (浙商交易寶), a multi-functional comprehensive foreign exchange trading platform, and provided support to foreign trade enterprises, allowing them to handle foreign exchange transactions conveniently and fast and respond to exchange rate fluctuation risks effectively. During the reporting period, the amount of foreign exchange transaction services provided by the Company to its customers reached US\$82.4 billion, of which the transaction amount of “Zheshang Trading Treasure” (浙商交易寶) was US\$37.4 billion.

Management Discussion and Analysis

The Company adheres to the overall idea of “technologies empower business digital intelligence, and being close enough to the real needs of enterprises makes service scenarios innovate”, fully utilizing various new technologies such as big data, platform direct link, blockchain, artificial intelligence, etc., to launch export data loans based on the export collection data of the Bureau of Foreign Exchange, continuously extending the “pooling” and “chaining” scenario applications, launching the FT customer asset pool function, adding the direct link to the export credit insurance financing application scenario of the blockchain platform of the Bureau of Foreign Exchange, etc., to continuously promote the coordinated interaction of assets investment internally and overseas in local and foreign currencies, and domestic and foreign trade. During the reporting period, the balance of international business liquidity services was RMB56 billion.

The Company actively supports the expansion and improvement of the new foreign trade, conducts in-depth research on the needs and application scenarios of the foreign-funded or foreign trade industries, and creates a personalized service model with one-point access and comprehensive services by applying the direct connection method between banks and enterprises around such sub-sectors as foreign comprehensive platform, centralized operation of cross-border funds, cross-border e-commerce, market procurement and freight forwarding.

3. Great Investment Banking Segment

(1) Investment banking business

The Company offers a wide range of investment banking products for both the direct and indirect financing markets to meet the multi-level financing needs of different types of customers. By participating in interbank and stock exchange bond underwriting, we provide market-oriented direct financing services to our customers, helping them to reduce financing costs and optimize their debt structure. We provide customized and differentiated innovative services to customers through asset securitisation, bond loading credit risk mitigation instruments or portfolio models. We also provide customers with integrated financing solutions and services through M&A loans and syndicated loans to help their industry consolidation and transformation and upgrading. We help our customers with their equity financing needs by providing them with key financing through our equity financing business.

The scale of bond underwriting maintained a good development trend. As at the end of the reporting period, the balance of various direct financing instruments such as corporate bonds, asset-backed securities and financial debts underwritten by the Company amounted to RMB345.049 billion. In respect of credit asset securitisation, during the reporting period, RMB5.126 billion of asset-backed securities for small and micro enterprises loans, RMB3.163 billion of asset-backed securities for individual housing mortgage loans and RMB249 million of non-performing asset-backed securities were issued. In respect of syndicated and M&A business, the total amount of syndicated and M&A loans incurred during the reporting period was RMB7.93 billion.

During the reporting period, the Company was awarded the “Gamma Award for Boutique Investment Bank of Best Bank of China 2021” by the Securities Times, as well as the “7th Jiefu Award for Asset Securitisation – Outstanding ABS Lead Underwriter” and the “7th Jiefu Award for Asset Securitisation – Outstanding Microfinance ABS Product” by CaiShiV (財視中國).

Management Discussion and Analysis

(2) Financial market business

In terms of financial market business, the Company continued to build a comprehensive FICC trading platform which integrates proprietary investment and financing, proprietary trading and trading agency, continuously strengthened its capabilities of business innovation and its abilities to serve customers, and actively promoted business development. All kinds of licenses are available for the financial market business of the Company, covering domestic and foreign markets for fixed income, foreign exchange, precious metal, etc.; and there are various products. The Company also provided relevant agency and commissioned services for customers, such as Bond Trading Connect (債券通), foreign exchange transaction agency (代客外匯), precious metal transaction agency, etc. During the reporting period, various financial markets experienced ups and downs, while the Company managed to control risks and grasp market opportunities, making it among the most active banks in domestic and foreign currency trading and precious metal trading market and further improving its market influence. During the reporting period, the Company has successfully become a market maker in the inter-bank bond market for spot securities (general category), an attempted market maker in the inter-bank RMB foreign exchange market for forward swaps, an attempted market maker in the inter-bank RMB foreign exchange market for spot, an attempted market maker in the inter-bank RMB foreign exchange market for options, and an attempted market maker in the inter-bank gold enquiry market, thus further expanding the room for the development of financial market businesses of the Bank.

For the local currency transaction, in 2021, the Company adjusted the bond investment strategies in a timely manner according to the changes in market environment, responded better to changes in market interest rates by actively taking advantage of market opportunities to lengthen portfolio duration while controlling its overall risk exposure. During the reporting period, the Company was granted such awards as the “Core Trader of Inter-bank Local Currency Markets” (銀行間市場本幣市場核心交易商), “Excellent Trader of Bond Markets” (優秀債券市場交易商), “Excellent Trader of Currency Markets” (優秀貨幣市場交易商) and “Excellent Trader of Derivatives Markets” (優秀衍生品市場交易商) in 2020.

For foreign currency transactions, in 2021 the Company intensified studies on foreign exchange market, built an analytical framework for major currency pairs and explored diversified portfolio trading strategies. In terms of market making, we strove to improve market making by updating our market making system and developing market making strategies. Meanwhile we actively advised and assisted customers with exchange rate hedging in light of the gradual entry into the interest rate hike cycle in major developed countries. During the reporting period, with significant fluctuations of both yields on sovereign bonds of developed countries and credit spread of Chinese enterprises, the Company adjusted the scale and the duration of foreign currency dominated bonds in accordance with the market changes. The Company was awarded the Standard Innovation Award 2020 of Interbank Foreign Exchange Market Transaction Confirmation Standard Building Project Team.

For precious metal transactions, in 2021, the Company effectively captured trends of the precious metal market, actively conducted precious metal transactions and physical sales, and created and improved the precious metal service solutions to support the real entity customers. During the reporting period, the Company's activities in precious metals trading market continued to remain at the forefront and further increased its market influence. During the reporting period, the Company was granted the “Third Prize of Financial Outstanding Member in 2020” (金融類優秀會員三等獎), the “Member with Special Contribution to Market Stability during COVID-19 Pandemic” (疫情期間市場穩定特殊貢獻會員), the “Best Risk Control Member” of Shanghai Gold Exchange, as well as the “Outstanding Member in 2020”, the “Diamond Award for Market Making Business” (做市業務鑽石獎), and the “Outstanding Dealer in the Standard Warehouse Receipt Trading Platform in 2021” (標準倉單交易平臺優秀交易商) of Shanghai Futures Exchange, and its services to real customers were widely recognized by the market.

Management Discussion and Analysis

(3) Financial institution business

Focusing on “increasing scale, adjusting structure, controlling risks and creating benefits”, the main line of operation and development, the financial institution business follows the origin of business, adheres to the bottom line of compliance, strictly controls business risks, strengthens the management and coordination of financial institution customers marketing and inter-bank resources, actively expand customer cooperation channels, and promote the operation of financial institutions business to support the bank-wide liquidity management and establish a financial institution business system focusing on the sale of full-range products and comprehensive service capabilities.

The Company takes further steps to implement the platform-based service strategy, continues to build a digital platform for financial institution customers and actively promotes the construction of an interbank asset pool platform. It worked together with China Central Depository & Clearing Co., Ltd. on the innovation of the “interbank collateral” business. During the reporting period, the Bank was recognized as an “Outstanding Contribution Institution for the 10th Anniversary of China Bond Collateral” (中債擔保品十週年傑出貢獻機構).

Leveraging its advantages as a licensed commercial paper brokerage, the Company continues to serve the real economy and effectively reduces customer discounting costs. During the reporting period, the Bank had 557 new contracted enterprises and concluded 5,241 transactions of RMB6.007 billion in aggregate. The accumulated business volume of the Company’s Discount Connect (貼現通) was among the top in the market. During the reporting period, it was awarded as an “Excellent Discount Connect Participating Institution” (優秀貼現通參與機構) by the Shanghai Commercial Paper Exchange.

(4) Bill business

The bill business actively adapts to the new situation, adheres to the development ideas of “coordinate head office and branches, technology integration, business innovation and compliance operation”, intensifies the integration of financial technology and bill business and bill products innovation, implements the whole life cycle of bill operation, and promotes multi-level market interaction, to continuously improve the ability of bill business to serve the real economy and micro-, small- and medium-sized enterprises and private enterprises. In the results of excellence selection activity in 2020 by Shanghai Commercial Paper Exchange, the Company won five institutional awards, including “Outstanding Member”, “Outstanding Bank Dealer”, “Outstanding Acceptance Institution”, “Outstanding Scientific and Technological Organization” and “Outstanding Innovative Product Promotion Organization”.

The Company is the third bank in the market to implement the cycle of bill operation in full life span, covering the entire chain of bill products such as bill acceptance, discount, inter-bank discount, rediscount, standard bill and supply chain bill, and relying on technology and innovation to drive the continuous enhancement of online, automated and integrated bill business.

During the reporting period, the Company’s bill transaction volume was RMB2.98 trillion, accounting for 4.26% of the total market and ranking fifth in the market, covering more than 400 counterparties; a total of 18,119 online self-service discounting transactions were conducted, amounting to RMB19.351 billion, serving 873 discounting customers, of which micro-, small- and medium-sized enterprises and private enterprises accounted for 85.80%.

Management Discussion and Analysis

(5) Asset custodian business

The Company's asset custodian business continued to increase marketing efforts for custodian business of licensed financial institutions such as funds, brokerages, insurance, futures, trusts and urban and agricultural merchant banks, and adhered to the integrated and coordinated development of efficiency, quality and scale. We continued to keep abreast of the market situation and innovation hot-spots, actively lay out various key custodian products and optimize the structure of our custodian business. Public fund custodian business has top priority, with increasing contribution in the Bank's custodian business. Meanwhile, the Bank is committed to serving the real economy and continues to give full play to its custodian business as a platform linking the asset side and liability side, integrating various resources, performing the role of an asset custodian and providing high-quality custodian services with distinctive features, efficient operation and controlled risks to various licensed financial institutions. As at the end of the reporting period, the balance of the Company's assets under custodian was RMB1.72 trillion. During the reporting period, the Company cooperated with more than 70 public fund managers in the custodian of public fund products, and the scale of public funds under custodian exceeded RMB200 billion, with 53 new public funds under custodian during the reporting period, achieving RMB487 million in asset custodian income.

4. Great Asset Management Segment

(1) Asset management business

The Company's asset management business positively accommodated to the market and policy changes, fully improved its management level in respect of investment and research, products, sales and risk control, continued to enrich the product system, made full efforts to satisfy various investment and financing demands of customers, and strove to build a respectable asset management business brand featured by "professional management, customer first, differentiated competition and leading efficiency". During the reporting period, the Company's asset management brand was recognized by the community and won the "Golden Bull Award for Wealth Management Banks" by China Securities Journal in 2021, and the "Juxinying (聚鑫赢) B-90 Days No.1 Wealth Management Product in RMB" won the "Golden Bull Award for Wealth Management Products of Banks".

The Company has continued to increase its efforts to wealth management's net-value transformation, and enrich the series of wealth management products such as "Shengxinying" (升鑫赢), "Juxinying" (聚鑫赢) and "Yongxin" (湧薪), covering a full range of product types such as cash management, fixed income, "Fixed Income Plus" and equity. As at the end of the reporting period, the balance of the Company's wealth management products amounted to RMB245.092 billion, of which 96.37% and 3.63% were funds of individual and institutional clients respectively; the balance of net-value wealth management products amounted to RMB180.274 billion, accounting for 73.55% of wealth management, representing a significant increase from the beginning of the year. During the reporting period, the Company issued a total of RMB859.674 billion of wealth management products and realized income from asset management services fee of RMB529 million.

Management Discussion and Analysis

(2) Capital market business

During the reporting period, through cooperation with external investment institutions, the Company actively directed such external institutions to use equity investment to leverage cooperation with strategic customers. It directed external institutions to make equity investments in customers of “talent bank”, “specialized, refined, differentiated and innovative” and “Spark Plan” in combination with the implementation of investment and loan linkage business, and provided long-term and stable financial support to growing small and medium-sized enterprises through comprehensive financing tools.

As at the end of the reporting period, the Company directed external investment institutions to complete a total of 27 equity investment projects with balance of RMB4.922 billion. Adhering to its business philosophy of “controlling risks and creating efficiencies”, the Company strictly controlled investment risks, resulting in a better asset quality of equity investment projects in general.

During the reporting period, the Company cooperated with external investment institutions to complete 11 investment projects with a total amount of RMB1.62 billion, including 4 private placement projects with a total amount of RMB850 million. The private placement projects mentioned above brought in nearly RMB4 billion in demand deposits for the Company, and achieved “big return” by “small leverage”, showing obvious sector linkage benefits.

5. Great Cross-border Segment

Since its establishment in mid-August 2021, the cross-border business department of the Company has been actively responding to the in-depth implementation of “Belt and Road Initiative” and high-level opening to the outside world, and the accelerated construction of a new pattern of domestic and international double-cycle development, and has been rapidly and synchronously promoting the adjustment of functions, establishment of rules and regulations, product innovation and system optimization, accelerating the response speed of policy study, product development, implementation and replication. We provide comprehensive cross-border financial services for “going out” quality enterprises to explore both domestic and overseas markets, develop financing channels for overseas, and reduce financing costs. During the reporting period, the scale of the Company’s great cross-border services^{note 1} was RMB48.1 billion, the balance of cross-border secured financing was RMB17.2 billion, the scale of investment in bonds was RMB9.3 billion and the balance of international syndicated loans was RMB2.7 billion.

Note 1: The scale of cross-border services represents the scale of cross-border assets business plus the scale of non-assets businesses including the underwriting of bonds linking the overseas banking businesses of Hong Kong branch, acting international syndicate and cross-border comprehensive advisor, i.e. the total of cross-border business services rendered to customers.

Management Discussion and Analysis

(VIII) Financial Technology

During the reporting period, the Bank iteratively implemented the Digital Transformation Plan of CZBank and the Fourth Five-Year Plan of Financial Technology (2021 to 2025) (the “Plan π2.0”), with the goal of “building an ‘innovative, agile and open’ digital and intelligent bank”, and the strategic positioning of financial technology as “financial technology innovation-driven development, all-round enabling business model and management innovation and transformation”, to continuously strengthen the foundation of technology and intensify the leadership of technological innovation, in order to improve the digitalization of internal management, deepen the construction of operation and maintenance management capacities, accelerate the digital transformation of the whole bank, and comprehensively empower the five major business segments.

1. The Bank’s digital transformation is in a high-speed manner with technology leading and digital intelligence navigating.

Taking the opportunity to integrate into the digital reform of Zhejiang Province, the Bank has continued its digital transformation efforts, established a digital transformation strategy committee, iterated and upgraded the digital architecture, strengthened the two-wheel drive of technology and data, and systematically promoted the reshaping of technology, architecture, scenarios, mechanisms and ecology. According to the “12345” financial technology development layout of “adhering to one positioning, building two major capabilities, improving three major systems, serving four major directions, and comprehensively empowering the five major business segments”, the Company will implement twelve key projects, continue to expand the depth and breadth of digital innovation applications, and promote the construction of key projects such as the digital intelligence finance, smart manufacturing financing and industrial chain financing. Focusing on small cuts in financial services, we have identified big scenarios such as inclusive finance and common prosperity, with widely recognized digital transformation milestones, to enhance the quality and efficiency of financial services and efficiently empower the real economy.

2. Five major business segments systematically upgrade with customer priorities and intensive resources.

We insist on market and user demand orientation, respond quickly to business needs, push forward the construction of platforms and products such as rapidly redeemable funds, funds, insurance, trust distribution, supply chain finance, pooled financing, great investment banking and great cross-border, and deepen the optimization of system construction and synergy connection of the five major segments to upgrade and reshape business processes, services and products. We exports technologies and products to core customers such as Shandong Hi-speed (山東高速), Ouyeel (歐冶金服), Zhejiang Petro Center (浙油中心), CSCC (中企雲鏈) and Shanxi Enterprise E-Trust (晉企E信), and extend our services to over 39,000 upstream and downstream real enterprises, to build a financial cooperation ecology externally and boost the businesses’ scale and efficiencies.

Management Discussion and Analysis

3. Digital internal management significantly improved through data-empowered and intelligent governance-driven methods.

We continuously intensify data governance, improve the distributed big data platform and big data modelling platform, advance the construction of algorithms, tags and models for applications in scenarios such as precise marketing, risk control, management decision-making, office management and process optimization, and deeply explore the value of data. **Digital marketing operation:** It helps customer profiling, precise marketing and market analysis, etc., and enhances online bulk customer acquisition capability, giving full play to the business value of data in marketing applications such as public client development and the hot fund of Boshi Phoenix Pilot (博時鳳凰領航). **Digital process re-engineering:** Digital technologies such as Robotic Process Automation (“RPA”), Optical Character Recognition (“OCR”) and Optical Character Recognition (“NLP”) are widely used to empower the automated and intelligent business scenarios such as credit card approval and intelligent outbound calling, accumulatively replacing a total of over three million manual operations and saving approximately 150,000 hours of manual work. **Digital risk control:** We continuously improve the big data risk control system such as anti-fraud real-time engine and credit risk control centre, to achieve the digital and intelligent credit risk control in all business lines of the Bank, and effectively improve the Bank’s risk prevention and control capabilities. **Digital decision-making:** We advance the construction of a unified indicator management system to visualize business indicators such as panoramic overview, scene collection and storage, main business overview, operation results, segment business and smooth financing, and empower lean and efficient decision-making. **Digital office management:** The promoting of palm office platform and mobile business processing breaks the time and space limitations of internal management.

4. The accumulation of technologies and innovation upon solid foundation and smart layout shows a positive trend.

We continuously deepen the research and integration application of key technologies such as blockchain, IoT, big data, artificial intelligence and cloud computing to enhance the independent and controllable core technologies. **Blockchain:** We iterated and optimized blockchain technology functions such as cross-chain interaction, micro service transformation and prophecy machine implementation, and participated in the formulation of the first cross-chain protocol in China. With approved national blockchain innovation application pilots and the publication of the first white paper for industrial chain finance based on blockchain and IoT in the banking industry, we were included in the “Top 50 Industrial Blockchain Enterprises of China”. **IoT:** We formulated an independent and controllable IoT dynamic supervision solution to apply to the supply chain of commodities, manufacturing industry, hospitality industry and other fields, to achieve risk prevention and control of multiple financial scenarios such as loans, mortgages, leasing and credit, and effectively solve the problem of information asymmetry between banks and enterprises and lagging financial risks. **Infrastructure platform:** We continuously improve the enterprise-level infrastructure platforms such as distributed micro service application platform, distributed data platform, infrastructure cloud, and container cloud to create a modular, component- and service-oriented centre manager of technologies and data, quickly and agilely respond to business innovation, and comprehensively enhance the independent and controllable level of the Bank’s basic technology products. **Security operation and maintenance:** We continuously promote the service-oriented, automated and intelligent operation and maintenance capabilities, improve the construction of the “three centres in two cities” disaster recovery system with “co-location dual-active operation and off-site application-level disaster recovery”, and strengthen the prevention and control of technological risks. All the above make us participate in many provincial and municipal-level attack and defense drilling for network security and achieve excellent results.

Management Discussion and Analysis

5. The integration of science and business results in agile response and continuous innovation in the system and mechanism of technology management.

We actively upgrade the system and mechanism of technology management, and comprehensively improve the management and service effectiveness of technology staff. We also continuously deepen the product-oriented collaborative innovation mechanism and set up agile special teams for key projects to quickly respond to market and user needs. We pilot the assignment mechanism for financial technology team and deepen the digital integration of technology and business to coordinate quality and efficiency. We continuously replenish and optimize the financial technology talent team, improve the training and development system for financial technology talent, and pilot the implementation of Objectives and Key Results (“OKR”) management system, to enhance project development and technology output capabilities. We also took part in the cooperation among industry, academia and research, involving Zhejiang University-CZBank Joint Research Centre, Peking University Institute of Information and Research, Huawei, ZTE and others to promote the implementation of research subjects in fields such as blockchain, localisation and digital intelligence finance, in order to continue to enhance technology research and application transformation capabilities.

In 2021, the Bank’s achievements in financial technology was widely recognized internally and externally. It has applied for more than 80 financial technology invention patents, obtained more than 40 software copyrights, participated in the formulation of more than 50 international, national, industrial and group standards, and won more than 20 financial technology awards, including the “FinTech Innovator Award” from the Global Finance, the “Top Ten FinTech Innovator Award” from The Banker, and the “FinTech Development Award” from the People’s Bank of China.

(IX) E-Finance Services

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, telephone banking, WeChat banking and self-service banking. The replacement rate of transactions via electronic channels reached 99.70%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, strengthened the building of customer experience and improved risk control measures, resulting in steady growth of channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capability.

Online banking

During the reporting period, the Company continuously optimized personal online banking and realized the comprehensive upgrading of multiple business modules. Being customer-oriented, the Company simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1,568,800 customers with personal online banking certificates, representing a year-on-year increase of 5.25%, including 55,400 monthly active customers. During the reporting period, the Company conducted 37,335,100 transactions totaling RMB2,129.139 billion via personal online banking.

Management Discussion and Analysis

During the reporting period, based on the genuine need of enterprises, the Company optimized core transactions, added important functions such as central finance non-tax revenue collection, traffic fines, book-entry bond purchase and operator rights management, and achieved full coverage of domestic commercial code modification and “to do list” service mode; We continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience; We optimized on-going risk control strategies for anti-fraud and anti-attack to improve risk prevention and control. As of the end of the reporting period, the Company had 180,900 customers with corporate online banking certificates, representing a year-on-year increase of 13.67%, including 115,800 monthly active customers, representing a year-on-year increase of 18.44%. During the reporting period, the Company conducted 84,250,700 transactions totaling RMB15,125.215 billion via corporate online banking.

Mobile banking

During the reporting period, the Company newly built Personal Mobile Banking V5.0, comprehensively upgrading the underlying architecture, improving basic functions, reconstructing core channels such as Home, Wealth, Life and My, comprehensively optimizing the initial registration and sign-up process, realizing intelligent search navigation, and strengthening personalized services such as menus, reminders, recommendations and online customer service; at the same time, we further added appropriate functions for the elderly such as one-click help and support for voice broadcast in the simplified version of mobile banking. As of the end of the reporting period, the Company had 4,577,900 personal mobile banking customers, representing a year-on-year increase of 13.38%, including 1,123,900 monthly active customers, representing a year-on-year increase of 3.85%. As of the end of the reporting period, the Company conducted 98,130,500 transactions totaling RMB2,260.024 billion via mobile banking.

Telephone banking

The Company upheld the service philosophy of “customer-oriented, beyond expectation” and broke the traditional mindset on customer service. By applying multi-channel service platform, big data and intelligent technology and expanding all-media service channels continuously, it established an intelligent customer service system offering inclusive financial services to its customers in an efficient and cost-saving manner. Leveraging on intelligent voice, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services and was committed to establishing a 7×24 comprehensive one-stop service platform.

During the reporting period, the Company received 1,844,100 calls from customers, of which 1,202,200 were passed to operators, with manned telephone connection rate of 92.78% and customer satisfaction of 99.86%. It served online customers for 594,500 times, and recorded a complaint resolution rate of 100% as a better assurance of customer service experience.

Management Discussion and Analysis

WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. Its WeChat banking consists of CZBank's WeChat official account and CZBank's WeChat official mini program. CZBank's WeChat official account offers financial services, credit cards and recruitment services, among other functions. CZBank's WeChat official mini program' functions include personal e-deposits (個人e存款), personal loans, outlet appointment and recommendation with gift (推薦有禮).

Self-service banking

During the reporting period, the Company continued to step up the construction of traditional self-service equipment, including the automated teller machines, cash recycling systems and other 7×24 self-service banking services, available for customers to make deposits, withdrawals, account transfers, balance checks, password reset and other financial service needs. Meanwhile, focusing on frequent transactions for the elderly, including deposits, withdrawals, account transfers and wealth management, we pay close attention to intelligent teller machines and queueing machines to further enhance the experience of using self-service equipment for the elderly in our outlets. As of the end of the reporting period, the Company had 284 self-service banks providing 7×24 services and 1,649 self-service machines of various types in its outlets.

(X) Business of Overseas Branch

The Company's Hong Kong Branch was established in 2018 and is the first branch established overseas. As a fully licensed bank, Hong Kong Branch can operate a full range of commercial banking services currently focusing on wholesale business. In 2021, Hong Kong Branch overcame the difficulties of the ongoing COVID-19 Pandemic and continued to focus on strategic opportunities including the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative". Based on its priorities, specialties and features, while maintaining its traditional trade finance business and trading agency business and actively exploring cross-border asset pooling business, it rapidly grew in scale with cross-border secured financing and offshore bond underwriting as the major means, and continuously enriched its business functions such as syndicated loans (as a leading bank), cross-border M&A loans and cross-border structured financing to meet customers' all-round cross-border financing needs. Through close cooperation with customers and banking peers, it realized sustainable growth of trade finances, bilateral loans, syndicated loans, domestically guaranteed loans and bond underwriting. During the reporting period, Hong Kong Branch actively pursued the platform-based service strategy to give full play to the interactive role of the platform and accelerated the exploration of distinctive businesses. As a result, the customer base and size of our cross-border asset pool increased continuously; both the volume and coverage of our cross-border business were effectively expanded; and the functions of our core and peripheral systems were further improved, all of which laid a solid foundation for our innovative business development.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$53.766 billion, of which other financial assets at fair value through other comprehensive income amounted to HK\$15.065 billion, accounting for 28.02%; and net loans and advances to customers amounted to HK\$14.912 billion, accounting for 27.73%. During the reporting period, the net profit was HK\$306 million.

Management Discussion and Analysis

(XI) Major Subsidiaries and Equity Participation Companies

1. Major Subsidiaries

Zhejiang Zheyin Financial Leasing Co., Ltd. (the “Zheyin Financial Leasing”), a national non-bank financial institution approved and regulated by CBIRC, is a 51%-owned subsidiary of our Bank.

Established on January 18, 2017, The principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from nonbank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the CBIRC.

Since its establishment, Zheyin Financial Leasing has upheld its mission of serving entity and the philosophy of prudent operation, with an aim to build it into a first-class “professional platform-based digital” financial leasing company. It fully implemented the strategy of professional transformation and actively embraced financial technology for continuous innovation in financial services. Committed to providing professional financial services to quality customers as an entity focusing on “five distinctive areas”, namely smart manufacturing, modern agriculture and husbandry, energy industries, environment protection and marine economy.

At present, it has perfected its governance structure and management system, steadily enhanced its innovation capability and research strength, improved its profit level and development quality year after year, cultivated a team of talents with high comprehensive quality and competitiveness, and found out a development path of professional services and distinctive operation to gradually grow into a dynamic force in China’s financial leasing industry. It received various awards, including “Zhejiang Advanced Entity in Supporting Economic and Social Development” (浙江省支持經濟社會發展先進單位) and “Zhoushan Social Contribution Award for Supporting Local Economic Development” (舟山市支持地方經濟發展社會貢獻獎) successively, and was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. (中誠信國際).

In December 2021, Zheyin Financial Leasing completed the capital increase by all shareholders in proportion to increase its registered capital from RMB3.0 billion to RMB4.0 billion, further enhancing its capital adequacy ratio and laying a good foundation for its subsequent development.

As of the end of the reporting period, Zheyin Financial Leasing has 146 employees, with total assets of RMB43.765 billion and net assets of RMB5.541 billion. It realized a net profit of RMB600 million in 2021.

2. Equity Participation Companies

Equity Participation Company	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount
China UnionPay Co., Ltd	Shanghai	2002-3-26	10 million	RMB25 million
National Financing Guarantee Fund Co., Ltd	Beijing	2018-7-26	1 billion	RMB1 billion

Management Discussion and Analysis

(XII) Outlook

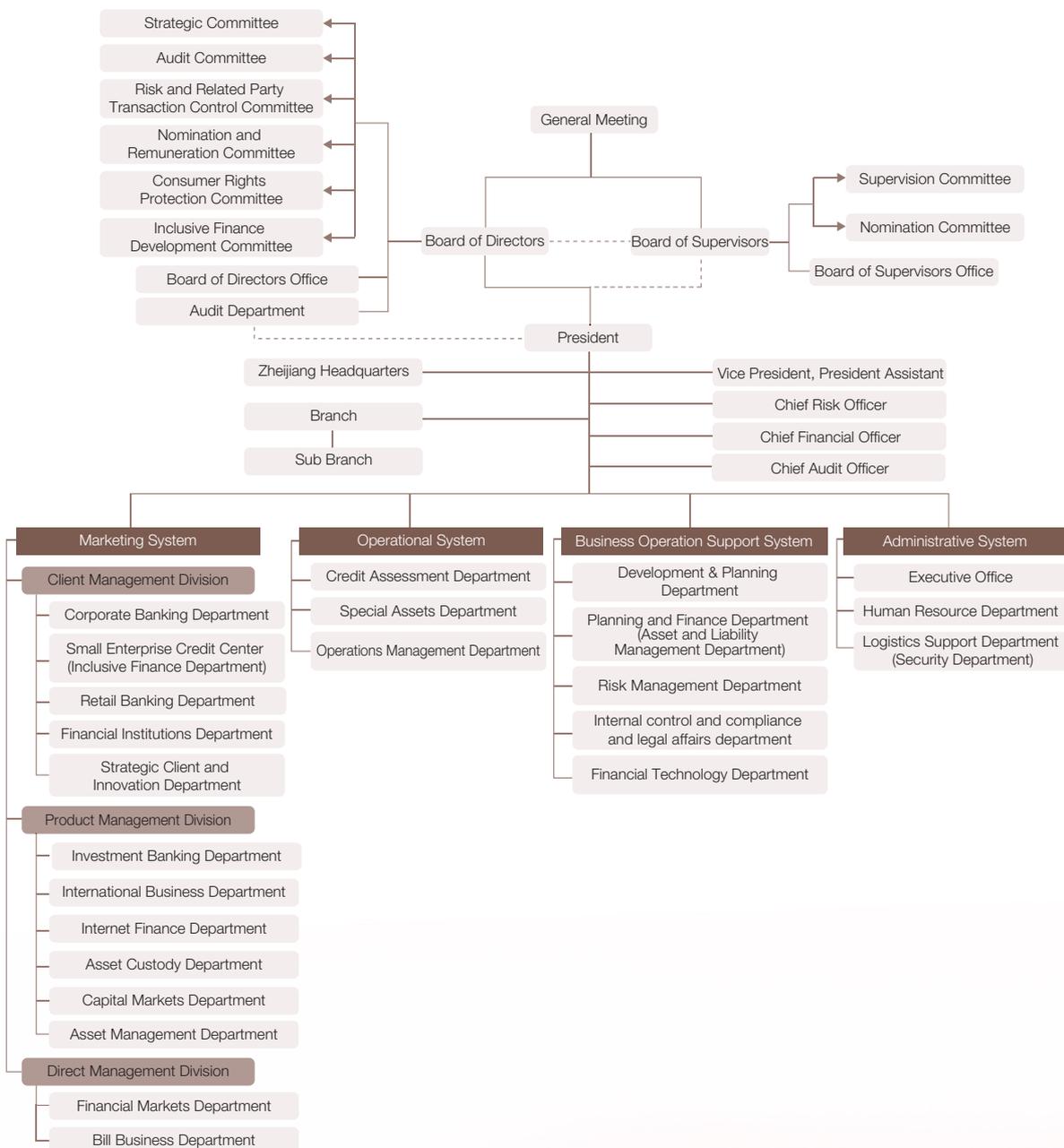
China's economic work in 2022 will adhere to the general principle of "prioritizing stability while pursuing progress", and the macro economy will be characterized by "return to normality, high quality transformation and balanced multi-targeting". China will accelerate the construction of a new development pattern, deepen the reform and opening up, adhere to innovation-driven development, advance high-quality development, insist on the supply-side structural reform as the thread, coordinate pandemic prevention and control and economic and social development, coordinate development and security, continue to do well in "six-stability (六穩)" and "six-security (六保)", continue to improve people's livelihood, focus on stabilizing the macro economic, keep the economy running in a reasonable range, and maintain social stability to welcome the convening of the 20th National Congress of CPC. The goal of macro policy is to be "prudent and effective", the goal of micro policy is to "continuously stimulate the vitality of market players", and the goal of structural policy is to "strive to smooth out the national economic cycle". The goal of science and technology policy is to seek solid implementation, and the focus of reform and opening-up policy is to activate development momentum, while the goal of regional policy is to pursue balanced and coordinated development, and the focus of social policy is to hold on to the bottom line of people's livelihood.

The Bank understands the monetary policy of the central bank will play the dual functions in terms of total size and structure in 2022. With sufficient, targeted and earlier efforts, the central bank targets to enhance the stability of total credit growth, instruct financial institutions to effectively expand loan issuance, increase support for the real economy, particularly financial support for key areas, further improve the macroprudential policy framework and governance mechanism, persist in promoting the prevention and resolution of financial risks, and continue to deepen international financial cooperation and financial reforms. The bank also understands the CBIRC will improve the forward-looking effectiveness of supervision, preventing the occurrence of systemic financial risk, further promote the reform and opening up of the banking and insurance industry, accelerate the digital transformation of the financial industry, and prevent the disorderly capital expansion in the financial sector. Financial institutions will increase investment in key areas, including the inclusive small and micro enterprise finance, carbon peaking and carbon neutrality, common prosperity and rural revitalization, support the high-quality economic development and continuously improve people's living standards.

In 2022, consistently guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully pursue the decisions and deployments of the Central Committee of CPC, the State Council and Zhejiang Provincial Party Committee and Government and implement the regulatory requirements. Sticking to the vision of "building a first-class commercial bank", the theme of digital reform and the top strategy of deepening our business in Zhejiang, while securing coordinated development in its five major business segments and prioritizing stability, the Company comprehensively built the political ecology featured with "honest, simple, professional, synergetic and clean (正、簡、專、協、廉)", comprehensively improved its comprehensive financial service capabilities and comprehensively set up the risk control and great supervision system. At the same time, by promoting healthy trends, laying a solid foundation and rebuilding its image, the Company fully embarked on the new journey of high-quality development, in order to truly create Zheshang Bank into the own bank of Zhejiang people, thus welcoming the convening of the 20th National Congress of the Communist Party of China and the 15th Party Member Representative Congress of the Zhejiang Province with our excellent performance!

Corporate Governance Report

(I) Chart of Organizational Structure



Corporate Governance Report

(II) Overview of Corporate Governance

The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance since improving corporate governance is the top priority of achieving high-quality development. The Company continuously improves corporate governance structure consisting of the Shareholder's General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management according to the relevant laws, regulations and regulatory requirements. Each corporate governance body operates independently, with effective checks and balances, cooperating with each other and functioning in a coordinated manner.

The Board of Directors of the Company takes corporate governance legality and compliance as the bottom line, draws on the best practices of outstanding companies as the direction, improves the system of corporate governance mechanism as the basis and gives full play to the decision-making role of the Board of Directors as the core, so as to strives to build a corporate governance mechanism with clear boundaries of responsibilities, orderly checks and balances and collaboration, democratic and scientific decision-making, and standardized and efficient operation.

In 2021, the Company insisted on comprehensively promoting the organic integration of the Party's leadership and corporate governance and effectively exercising the role of the Party Committee in overseeing the overall situation and coordinating all parties. Guided by the Three-year Action Plan for Perfecting Corporate Governance of Banking and Insurance Industry (2020 to 2022) 《健全銀行業保險業公司治理三年行動方案(2020-2022年)》 issued by the CBIRC, the Company have practically improved the quality and efficiency of corporate governance; in addition, the Company have comprehensively reviewed the compliance and effectiveness of the corporate governance mechanism, conducted self-assessment, optimized and enhanced the corporate governance practice level.

The meetings held during the reporting period were as follows: one annual general meeting, three extraordinary general meetings, one A shareholders' class meeting, one H shareholders' class meeting; sixteen meetings of Board of Directors, three meetings of Strategic Committee, four meetings of Audit Committee, ten meetings of Risk and Related Party Transaction Control Committee, six meetings of Nomination and Remuneration Committee, three meetings of Consumer Rights Protection Committee and one meeting of Inclusive Finance Development Committee.

(III) General Meeting

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board of Directors and the Board of Supervisors. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2021 first Extraordinary General Meeting on January 5, 2021, the 2020 Annual General Meeting on June 30, 2021, the 2021 second Extraordinary General Meeting on July 15, 2021, and the 2021 third Extraordinary General Meeting, the 2021 first Class meeting for A shareholders and the 2021 first Class meeting for H shareholders on November 23, 2021. For details of relevant proposals and relevant announcements about resolutions adopted at the meetings, please refer to the circular for the general meetings and poll results announcement in connection with the general meetings published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

Corporate Governance Report

The convening, notifying, holding and voting procedures for the meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.

(IV) Board of Directors

1. Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company comprised 15 Directors, of which 4 were executive directors, namely Mr. Shen Renkang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang; 4 were non-executive directors, namely Mr. Ren Zhixiang, Ms. Gao Qinrong, Mr. Hu Tiangao and Mr. Zhu Weiming; and 7 were independent non-executive directors, namely Mr. Tong Benli, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai and Mr. Wang Wei. Not less than 1/3 of the members of the Board of Directors of the Company were independent non-executive Directors, and the independent non-executive Directors complied with the Rule 3.10(2) of the Hong Kong Listing Rules, who had appropriate professional qualifications or accounting or related financial management expertise. The number and composition of independent non-executive Directors are in compliance with relevant laws, regulations and requirements of the Hong Kong Listing Rules.

The Board of Directors of the Company was rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the non-executive Directors are equipped with rich banking or enterprise management experiences, and the independent non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and law.

During the reporting period, all Directors diligently performed their duties, being present or in attendance at relevant meetings in a timely manner; actively participated in discussion on affairs, training, thematic study and discussion activities; prudently expressed professional opinions; paid continuous attention to conditions of operation and management of the Company; proactively improved their ability to perform their duties; continuously improved the scientificity and efficiency of decisions, with their high sense of responsibility and excellent professionalism; ensured that commercial activities of the Company complied with national laws and regulations and requirements of regulatory authorities; and effectively protected legitimate rights and interests of shareholders.

2. Board Diversity Policy

The Company considers the diversity of the members of the Board of Directors as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board of Directors shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board of Directors have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

Corporate Governance Report

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversity of the Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the 15 Directors, two of them are female, and 13 are with post graduate diploma or master's degree or above, including five with doctoral diploma and one director ordinarily residing in Hong Kong. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues.

3. Responsibilities of the Board of Directors

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The main responsibilities are as follows: to convene general meetings, present proposals and report to shareholders at the general meetings; to implement the resolutions of the general meetings; to formulate medium and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies; to decide the annual appraisal indices for the operation of the Bank and approve the annual operation plans of the Bank; to formulate our annual financial budgets and final accounts; to formulate our profit distribution plans and plans for recovery of losses; to formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the capital replenishment nature; to decide on issuance of bonds other than those with the capital replenishment nature by the Bank; and to formulate proposals for merger, demerger, dissolution and liquidation of the Bank.

The Senior Management of the Company has the rights to make decision in daily operation independently under the authority of the Board, and the Board will not intervene in specific daily affairs of operation and management of the Company.

The Board of the Company is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 (which has been renumbered as Code Provision A.2.1 since January 1, 2022) of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing its effectiveness on an annual basis. During the reporting period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of Directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and regular practice.

Corporate Governance Report

4. Meetings and Proposals of Board of Directors

During the reporting period, the Company held sixteen meetings of Board of Directors, among which four were regular meetings and twelve were extraordinary meetings. The main proposals considered at the Board meetings were as follows:

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2020

Work Report of President of China Zheshang Bank Co., Ltd. for 2020

2020 Annual Report and its Summary of China Zheshang Bank Co., Ltd.

(Domestic Standards and International Standards)

2020 Audit Report on Internal Control of China Zheshang Bank Co., Ltd.

Proposal on the Engagement of an Accounting Firm for 2021

Final Financial Report of China Zheshang Bank for 2020

Profit Distribution Plan of China Zheshang Bank for 2020

2021 Annual Budget Report of China Zheshang Bank Co., Ltd.

Business Operation Plan of China Zheshang Bank Co., Ltd. for 2021

Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2020

Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2021

Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2020

Proposal on Results of 2020 Performance Evaluation of Directors by the Board of Directors

Proposal on Results of 2020 Performance Evaluation of Senior Management by the Board of Directors

Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2020

Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2020

Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2020

Report on Implementation of Risk Preference for 2020 and Proposal on Risk Preference for 2021 of China Zheshang Bank Co., Ltd.

Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2020

Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2020

2020 Work Report on Protection of Consumer Rights and Interests and 2021 Work Plan of China Zheshang Bank Co., Ltd.

2020 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd.

Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2020

Proposal on the Estimate 2021 Annual Caps for Connected Transactions Entered into in the Ordinary Course of China Zheshang Bank Co., Ltd.

Development Plan of China Zheshang Bank Co., Ltd. for 2021 to 2025

2021 Work Plan on Small and Micro Enterprises under Inclusive Finance of China Zheshang Bank Co., Ltd.

Proposal on the Renewal of the Observer in the Strategic Committee of the Board of Directors

Evaluation Report of the Major Shareholders of CZBank

Proposal on the Proposal of Public Issue of Securities by Rights Issue of China Zheshang Bank Co., Ltd.

Proposal on the Return to Shareholders Plan for the Next Three Years (2022 to 2024) of China Zheshang Bank Co., Ltd.

Corporate Governance Report

5. Attendance of Directors at the Meetings

The following table sets forth the records of attendance in person of each director at the meetings convened by the Board of Directors and by special committees under Board of Directors and at the shareholders' general meetings held in 2021.

Directors	Board of Directors	Strategic Committee	Audit Committee	Risk and Related Party Transaction Control Committee	Nomination and Remuneration Committee	Consumer Rights Protection Committee	Inclusive Finance Development Committee	General Meeting
Executive Directors								
Shen Renkang	16/16	3/3	-	-	-	-	1/1	6/6
Zhang Rongsen	3/4	1/1	-	-	-	-	1/1	0/3
Ma Hong	1/1	1/1	-	-	-	-	1/1	3/3
Chen Haiqiang	2/2	1/1	-	-	-	-	1/1	3/3
Non-executive Directors								
Ren Zhixiang	14/16	1/3	-	-	-	-	-	5/6
Gao Qinrong	16/16	-	-	-	-	-	-	4/6
Hu Tiangao	16/16	-	4/4	-	-	-	-	6/6
Zhu Weiming	14/16	3/3	-	-	-	-	1/1	4/6
Independent non-executive Directors								
Tong Benli	16/16	-	4/4	-	5/6	-	-	6/6
Dai Deming	16/16	-	4/4	-	-	-	-	6/6
Liu Pak Wai	16/16	3/3	-	-	-	-	1/1	6/6
Zheng Jindu	13/16	2/2	-	4/5	3/4	1/2	0/1	5/6
Zhou Zhifang	15/16	-	-	10/10	4/6	3/3	-	6/6
Wang Guocai	15/16	-	-	8/10	-	3/3	-	6/6
Wang Wei	14/16	-	2/2	5/5	2/2	1/1	-	6/6
Resigned Directors								
Xu Renyan	9/10	1/1	-	-	-	-	1/1	1/1
Wang Jian	8/10	1/2	-	-	-	-	0/1	1/3
Lou Ting	10/10	-	-	-	-	-	-	1/3

Corporate Governance Report

Notes:

- (1) Times of attention in person/number of meetings that he/she should attend during the reporting period.
- (2) The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.
- (3) For details of the change of Directors, please see “Information on Directors, Supervisors, Senior Management, Employees and Institutions”.
- (4) The Chairman held a meeting with independent non-executive Directors without the attendance of other Directors.

6. Information on Survey and Training of the Directors

During the reporting period, certain Board members visited Nanchang Branch, Wuhan Branch and Zhengzhou Branch to carry out field research in order to collect primary data and understand specific conditions of grass-roots organizations as to strategy implementation, risk management and technology innovation, and heard the opinions and suggestions of the branches and relevant units on operation and management of the Board and the head office, targetedly put forward guiding opinions, and in a timely manner, submitted to the Senior Management, relevant opinions and suggestions.

The Company has always paid attention to continuous training of Directors to ensure that all Directors properly understand the operation and businesses of the Company, and their responsibilities under relevant laws and regulatory requirements. During the reporting period, the Company invited intermediary agencies to provide lectures on the “Continuing Obligations of Hong Kong Listed Companies and their Directors and Supervisors” for Board members as Directors and Supervisors. In addition, the Board members actively participated in the 76th Training on Qualification of Independent Directors of Companies Listed in the Shanghai Stock Exchange Main Board in 2021, Anti-Money Laundering Training and other lectures and training, thus effectively widening their vision for macro decision-making, improving the ability to understand policies and further improving their ability to perform their duties.

Corporate Governance Report

According to the training records for 2021 kept by the Company, the status of relevant training for Directors is as follows:

Directors	Scope of Provision of Information and training		
	Corporate Governance	Finance/ Business	Compliance/ Operation
Executive Directors			
Shen Renkang	✓	✓	✓
Zhang Rongsen	✓	✓	✓
Ma Hong	✓	✓	✓
Chen Haiqiang	✓	✓	✓
Non-executive Directors			
Ren Zhixiang	✓	✓	✓
Gao Qinhong	✓	✓	✓
Hu Tiangao	✓	✓	✓
Zhu Weiming	✓	✓	✓
Independent non-executive Directors			
Tong Benli	✓	✓	✓
Dai Deming	✓	✓	✓
Liu Pak Wai	✓	✓	✓
Zheng Jindu	✓	✓	✓
Zhou Zhifang	✓	✓	✓
Wang Guocai	✓	✓	✓
Wang Wei	✓	✓	✓
Resigned Directors			
Xu Renyan	✓	✓	✓
Wang Jian	✓	✓	✓
Lou Ting	✓	✓	✓

7. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had seven independent non-executive Directors, the number and percentage were in compliance with the relevant laws, regulations and regulatory requirements. The Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Consumer Rights Protection Committee under the Board of the Company were all chaired by independent non-executive Directors, and the independent non-executive Directors formed majority in such committees. During the reporting period, the independent non-executive Directors actively participated in and provided suggestions and advice at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, including site visits, special surveys and attending training etc.

Corporate Governance Report

The independent non-executive Directors have presented their professional advice on the resolutions considered by the Board of Directors, including offering independent written opinions on significant matters, such as the Profit Distribution Scheme, the appointment of Senior Management, the engagement of auditors and significant related party transactions. In addition, for the special committees under the Board of Directors, the independent non-executive Directors made full advantage of their professional edge, provided professional and independent advice regarding corporate governance and operation management of the Company, and thereby ensured the scientific decision-making of the Board of Directors.

The Company has received the annual confirmations from the independent non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules regarding their independence, and considered that none of the independent non-executive Directors was involved in any factor set out in Rule 3.13 of the Hong Kong Listing Rules that may cast doubt on their independence. Therefore, the Company believes that all independent non-executive Directors meet the independence criteria as set out in the Hong Kong Listing Rules.

8. Responsibilities of Directors in Preparation of Financial Reports

The Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2021. The Board of Directors undertook that there were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, save for the information disclosed in this annual report of the Company.

The Directors shall review and confirm the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2021, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

9. Election, change and removal of Directors

According to the Articles of Association, directors shall be elected or replaced at the general meeting and may be dismissed by the general meeting prior to the expiration of their term of office. Directors shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board.

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

For the change of Directors during the reporting period, please refer to "Information on Directors, Supervisors, Senior Management, Employees and Institutions" of this report.

Corporate Governance Report

(V) Special Committees under Board of Directors

There are six special committees under the Board of Directors of the Company, namely Strategic Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee.

1. Strategic Committee

As at the end of the reporting period, the Strategy Committee of the Company consisted of seven Directors, Mr. Shen Renkang, Chairman and Executive Director, served as the committee chairman. Other committee members included Mr. Zhang Rongsen, Executive Director, Ms. Ma Hong, Executive Director, Mr. Chen Haiqiang, Executive Director, Mr. Ren Zhixiang, Non-Executive Director, Mr. Zhu Weiming, Non-Executive Director, and Mr. Liu Pak Wai, independent non-executive Director.

According to the Articles of Association, the main duties of the Strategic Committee are as follows: to research and formulate business targets, medium and long-term development plans and development strategies of the Company; to supervise and inspect the implementation of annual business plans and investment plans; and to deal with other matters as authorized by the Board.

During the reporting period, the Strategic Committee mainly considered the Final Financial Report of China Zheshang Bank for 2020, Profit Distribution Plan of China Zheshang Bank for 2020, 2021 Annual Budget Report of China Zheshang Bank Co., Ltd., Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2020, and Development Plan of China Zheshang Bank Co., Ltd. for 2021 to 2025, as well as other resolutions or reports.

2. Audit Committee

As at the end of the reporting period, the Audit Committee of the Company consisted of four Directors. Mr. Dai Deming, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Hu Tiangao, non-executive Director, Mr. Tong Benli, independent non-executive Director, and Mr. Wang Wei, independent non-executive Director.

According to the Articles of Association, main duties of the Audit Committee are to examine our accounting policies, financial position, financial reporting procedures, and risk and compliance status; to propose the appointment or replacement of external auditors; to supervise our internal audit system and its implementation; to facilitate communication between internal auditors and external auditors; to review our financial information and the related disclosure and prepare conclusive reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration; to deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

Corporate Governance Report

During the reporting period, the Audit Committee mainly considered or heard the 2020 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2020 Audit Report on Internal Control of China Zheshang Bank Co., Ltd., Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2020, Proposal on the Engagement of an Accounting Firm for 2021, Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2020, Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2020, Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2020, Report on the Performance of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. for 2020, as well as other resolutions or reports. The Audit Committee also reviewed the independence of external auditors and provided recommendations to the Board on the appointment of external auditors, and considered the audit fees of external auditors for 2021.

During the reporting period, no former partners of any auditing firm which was responsible for auditing accounts of the Company were appointed by the Company as members of the Audit Committee.

3. Risk and Related Party Transaction Control Committee

As at the end of the reporting period, the Risk and Related Party Transaction Control Committee of the Company consisted of three Directors. Mr. Zhou Zhifang, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zheng Jindu, independent non-executive Director, and Mr. Wang Guocai, independent non-executive Director.

According to the Articles of Association, main duties of the Risk and Related Party Transaction Control Committee are to supervise the risk control by Senior Management of the Company; to assess our risk profile; to offer proposals on improving our risk management and internal controls; to review and approve general related party transactions of the Company or accept the filing of general related party transactions; to review and approve of major related party transactions of the Company or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Company's shares, which shall be submitted to the Board of Directors by the committee for approval; and to deal with other matters as authorized by the Board.

The Risk and Related Party Transaction Control Committee will review the effectiveness of the Company's risk management procedures and internal control procedures, to ensure the efficiency of the Company's business operations and achieve the Company's objectives and strategies.

During the reporting period, the Risk and Related Party Transaction Control Committee primarily examined the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2020, 2020 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd., Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2020, Report on Implementation of Risk Preference for 2020 and Proposal on Risk Preference for 2021 of China Zheshang Bank Co., Ltd., Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2020, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2020, Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2021, Capital Planning of China Zheshang Bank Co., Ltd. for 2021 to 2023, Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2020, Proposal on the Estimate 2021 Annual Caps for Connected Transactions Entered into in the Ordinary Course of China Zheshang Bank Co., Ltd. as well as other resolutions or reports.

Corporate Governance Report

4. Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Company consisted of three Directors. Mr. Wang Wei, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Tong Benli, independent non-executive Director, and Mr. Zhou Zhifang, independent non-executive Director.

According to the Articles of Association, main duties of the Nomination and Remuneration Committee are to propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Company; to draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board; to recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board and etc.; to draft the remuneration policy and scheme for Directors and senior management, and make proposals to the Board; and to deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

The Nomination and Remuneration Committee under the Board makes recommendations to the Board on the remuneration package of individual executive Directors and senior management.

The nomination procedures for a director candidate of the Company are: the eligible shareholders will recommend candidates for directorship to the Company for consideration; the Nomination and Remuneration Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the candidates for directorship will be submitted in the general meeting by written resolutions. For details, please refer to the section headed "Directors and Board of Directors" in Articles of Association.

Criteria for selection and recommendation of candidates for directorship is that Directors shall have professional knowledge and work experiences necessary for performing their duties and meet conditions specified by the CBIRC, with their qualification for appointment subject to approval by the CBIRC.

The Company appoints or re-appoints its Directors in strict compliance with the Articles of Association of the Company. Pursuant to the Board diversity policy requirements in the Board Diversity Policy of China Zheshang Bank Co., Ltd., the Nomination and Remuneration Committee shall also pay attention to complementarities among candidates for directorship in terms of knowledge structure, professional competence and experience, cultural and educational background, gender and otherwise, to ensure that the Directors are well equipped, experienced and have diversified perspectives and views.

During the reporting period, the Nomination and Remuneration Committee mainly considered the Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2020, Proposal on Results of 2020 Performance Evaluation of Directors by the Board of Directors, Proposal on Results of 2020 Performance Evaluation of Senior Management by the Board of Directors, Proposal to Review the Qualifications of Candidates for Appointment as Directors of the Sixth Session of the Board of Directors, Proposal to Review the Qualifications of Senior Management, Proposal on the Composition of Special Committees of the Sixth Session of Board of Directors, Proposal to Approve the Remuneration of Senior Management of CZBank for 2020, Proposal on the Remuneration Management Plan for Directors of CZBank, Proposal on the Measures for Performance Appraisal and Rewards & Punishments of Senior Management for 2021 of CZBank (Draft), and other resolutions or reports.

Corporate Governance Report

The Nomination and Remuneration Committee has established a policy on Directors' remuneration and regularly evaluated the performance of the executive Directors and approved the terms of service contracts of executive Directors. In addition, the Nomination and Remuneration Committee has implemented the policies on the nomination of directors as well as the nomination procedures and selection and recommendation criteria on candidates for directors. The Nomination and Remuneration Committee has reviewed the structure, number and composition of the Board (including skills, knowledge and experience) during the reporting period to make recommendations on any changes proposed on members of the Board for the purpose of complying with the long-term strategies of the Company.

5. Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the Company consisted of three Directors. Mr. Wang Guocai, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zheng Jindu, independent non-executive Director, and Mr. Zhou Zhifang, independent non-executive Director.

According to the Articles of Association, main duties of the Consumer Rights Protection Committee are to formulate strategies, policies and objectives of the consumer rights protection work; to guide, urge and supervise the Senior Management to effectively execute and implement relevant work, and regularly listen to the Senior Management's special reports on the progress of consumer rights protection work; to supervise and evaluate the comprehensiveness, timeliness and effectiveness of our consumer rights protection work as well as relevant duty performance status of the Senior Management; and to deal with other matters as authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee mainly considered the 2020 Work Report on Protection of Consumer Rights and Interests and 2021 Work Plan of China Zheshang Bank Co., Ltd., CZBank Work Report on Protection of Financial Consumer Rights and Interests for the First Half of 2021, Objectives, Strategies and Policies of the Consumer Rights Protection Work of CZBank and other resolutions or reports.

6. Inclusive Finance Development Committee

As at the end of the reporting period, the Inclusive Finance Development Committee of the Company consisted of seven Directors. Mr. Shen Renkang, chairman and executive Director of the Board, served as the committee chairman. Other committee members included Mr. Zhang Rongsen, executive Director, Ms. Ma Hong, executive Director, Mr. Chen Haiqiang, executive Director, Mr. Ren Zhixiang, non-executive Director, Mr. Zhu Weiming, non-executive Director, and Mr. Liu Pak Wai, independent non-executive Director.

Main duties of the Inclusive Finance Development Committee are to formulate the development planning of inclusive finance business, deliberate the operation plans, and evaluate the assessment methods.

During the reporting period, the Inclusive Finance Development Committee mainly considered the 2021 Work Plan on Small and Micro Enterprises under Inclusive Finance of China Zheshang Bank Co., Ltd. and other resolutions.

Corporate Governance Report

(VI) Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the general meetings, and oversees the strategic planning, business decisions, financial activities, risk management, internal control and corporate governance of the Company, and the duty performance of the Directors and the senior management with an aim to protect the legitimate rights and interests of the Company, Shareholders, employees, creditors and other stakeholders.

1. Composition of Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Company consists of 8 members, among them, one of the shareholder Supervisors are from large enterprises and have extensive experience in business management and professional knowledge in finance; the 3 employee Supervisors have participated in economics and banking operation and administration for a long time, and thus accumulated rich professional experience in economics and finance; and the 4 external Supervisors have been engaged in finance, economics and law, etc., and have thus accumulated extensive experience in those fields and unique perspectives. The composition of the Board of Supervisors of the Company has adequate expertise and independence which ensures the effective supervision by the Board of Supervisors.

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

2. Performance of Board of Supervisors

The Board of Supervisors performs its supervisory duties primarily by holding regular meetings of supervisors and special committees to consider relevant issues, attending shareholders' general meetings, board meetings and special committee meetings; attending related meetings on operation and management held by the Senior Management; reviewing related work reports or professional reports of the Senior Management and departments; making performance appraisal on directors, supervisors or senior management; reviewing various documents, information and statements of the Company; carrying out special investigations and surveys at branches; putting forward work suggestions to the Board of Directors and Senior Management; appointing third-party professional agency to carry out 5 special audit.

During the reporting period, the Board of Supervisors convened 11 meetings, of which 10 were onsite meetings and one was by way of telecommunications. 37 proposals were considered and 35 reports were considered and listened to regarding corporate governance, regular report, evaluation of the duty performance of the Directors, Supervisors and Senior Management, development plans, business operations, risk management, financial activities, internal control and case prevention and internal audit, etc.

Corporate Governance Report

According to the provisions of relevant laws, regulations and the Articles of Association of the Company, the supervisors attended all general meetings, all meetings of the Board of Directors and some special committees under the Board of Directors, and performed supervision on legal compliance of holding general meetings and Directors' meetings, the procedures for voting by poll as well as the Directors' attendance of meetings, providing opinions and voting, etc.

All the 4 external Supervisors of the Company can exercise the supervision function independently. In performing their duties, the external Supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the special committees under the Board of Supervisors, being present at the meetings of the Board of Directors and its special committees, participating in the survey activities of the Board of Supervisors on branch outlets, and reviewing carefully all kinds of documents, data and statements. Meanwhile, they expressed their independent opinions or suggestions about major issues, and exchanged opinions with the Board of Directors and Senior Management about the problems found out, which played an active role for the Board of Supervisors to perform their supervision duties.

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

3. Information on training and survey of Supervisors

In the year, Supervisors were organized to participate in two thematic training of "Continuing Obligations of Hong Kong Listed Companies and their Directors and Supervisors" for newly appointed Directors and Supervisors, through which they further understood the duties, obligations and prohibited acts of a supervisor of listed companies.

In the year, Supervisors were organized to carry out in-depth investigations in 15 branches, namely Shenyang Branch, Nanjing Branch, Jinan Branch, Qingdao Branch, Guangzhou Branch, Beijing Branch, Shanghai Branch, Shaoxing Branch, Lishui Branch, Jinhua Branch, Wenzhou Branch, Hangzhou Branch, Ningbo Branch, Zhoushan Branch, Taizhou Branch, understood the implementation of head office system and decision and the transformation and development of branch and risk management, and proactively provided advices and recommendations to relevant level.

Corporate Governance Report

(VII) Special Committees under Board of Supervisors

The Nomination Committee under the Board of Supervisors consisted of 4 Supervisors, and the Supervision Committee consisted of four Supervisors, and the external Supervisor served as the committee chairman.

1. Nomination Committee under Board of Supervisors

As at the end of the reporting period, the members of Nomination Committee under Board of Supervisors are Ms. Cheng Huifang (committee chairman), Mr. Guo Dingfang, Mr. Pan Jianhua and Mr. Song Qinghua.

The main duties of the Nomination Committee are as follows: to draft standards and procedures of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholders serving as Supervisors and external Supervisors and give suggestions to the Board of Supervisors; to propose to the Board of Supervisors candidates of Chairman and Vice Chairman of the Board of Supervisors based on the actual condition of the Company; to propose to the Board of Supervisors candidates of chairmen of various special committees; to supervise the election and appointment of Directors; to draft remuneration plans for Supervisors, make proposals to the Board of Supervisors and supervise the implementation of the said plans after they have been considered by the Board of Supervisors and have been submitted to the general meetings for consideration; to supervise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management; to be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management, making proposals to the Board of Supervisors and implementing these measures after submitting them to the Board of Supervisors for consideration and decision-making; to assist the Board of Supervisors office with the establishment of a duty performance supervision recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee of the Board of Supervisors held a total of 4 meetings, mainly considering the Candidates for Shareholder Supervisors and External Supervisors of the Sixth Session of the Board of Supervisors of the Company, Candidates for Leaders of the Board of Supervisors and Special Committees, Results of 2020 Performance Evaluation of Directors, Supervisors and Senior Management, Remuneration Management Plan for Supervisors of the Sixth Session of the Board of Supervisors and other resolutions.

Corporate Governance Report

2. Supervision Committee under Board of Supervisors

As at the end of the reporting period, the members of Supervision Committee under Board of Supervisors are Mr. Zhang Fanquan (committee chairman), Mr. Pan Huafeng, Mr. Chen Zhongwei and Mr. Chen Sanlian.

The main duties of the Supervision Committee are as follows: to draft plans of supervision on the financial activities of the Company and conducting relevant inspections; to supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; to regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports; to instruct the work of the internal audit department of the Company; to carry out a review of any resigning senior management when necessary; to supervise the duty performance by Directors, Supervisors and senior management; to supervise and inspect major operational decisions of the Company; to supervise and inspect risk management of the Company; to supervise and inspect the soundness and effectiveness of the internal control of the Company; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Supervision Committee held a total of 4 meetings, considering the 2020 Annual Report of the Company, the management and implementation of the consolidation of statements for 2020, Social Responsibility Report for 2020, Internal Audit Work Report for 2020, Internal Control Evaluation Report for 2020, the First Quarterly Report of 2021, the 2021 Interim Report, the Third Quarterly Report of 2021 and otherwise, and listening to the reports on the financial position of the Company in 2020 etc. Moreover, the members of the Supervision Committee also attended 10 meetings of the Risk and Related Party Transaction Control Committee under the Board of Directors, supervised the process of consideration on related party transactions and Directors' duty performance.

(VIII) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and Board of Supervisors. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the one-level legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the head office and are accountable to the head office.

According to the Articles of Association, the Board of Directors exercises the functions and powers of appointing or dismissing the Bank's president, listening to the work report of the president and reviewing his performance, monitoring and ensuring the Senior Management's efficient fulfillment of management duties. The Company adopts a system by which the President shall assume overall responsibility in operation and management of the Company, and the President shall be accountable to the Board of Directors.

The Company has no controlling Shareholder and de facto controller. The Company and the Shareholders are completely independent in terms of assets, businesses, personnel, organizations and finance, etc. The Company has complete and independent operation capacity. The Board of Directors, Board of Supervisors and internal units of the Company operate independently.

Corporate Governance Report

(IX) Chairman and President

In the Company, the positions of Chairman and President are served by different persons, and each position has clearly defined responsibilities, fulfilling the requirements of the Hong Kong Listing Rules. The Chairman of the Company exercises the duties to preside over the general meetings, convene and preside over the meetings of Board of Directors and supervise and inspect the implementation of the resolutions of the Board of Directors. The President of the Company exercises the duties to lead the operation and management of the Company, reports to the Board of Directors and organizes the implementation of the resolutions of the Board of Directors, the annual operation plan and investment scheme of the Company.

(X) Company Secretary

Mr. Liu Long is the company secretary of the Company, mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary.

During the reporting period, Mr. Liu Long was complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

(XI) Securities Transactions of Directors and Supervisors

The Company has adopted a code of conduct for securities transactions by directors and supervisors no less exacting than the Model Code in the Appendix 10 of the Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors and confirmed that they had been complying with the aforesaid code of conduct during the reporting period.

(XII) Relationship between Directors, Supervisors and Senior Management

There is no financial, business, family or other material/affiliated relationship between the Directors, Supervisors and senior management of the Company.

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

1. To hold extraordinary general meeting

At the request of the Shareholders separately or jointly holding 10% or more of the total Shares, the Company shall hold an extraordinary general meeting within two months.

When the Shareholders request to convene an extraordinary general meeting or a Shareholders' class meeting, the following procedures shall be observed: the Shareholders separately or jointly holding 10% or more of the total Shares submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting or a Shareholders' class meeting.

Corporate Governance Report

If the Board of Directors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or a Shareholders' class meeting, or fails to reply within ten days after receiving the proposal, the Shareholders separately or jointly holding 10% or more of the total Shares have the right to propose to the Board of Supervisors to hold the extraordinary general meeting or a Shareholders' class meeting, provided that written request shall be submitted to the Board of Supervisors.

If the Board of Supervisors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Supervisors fails to provide the notice of holding general meeting or a Shareholders' class meeting within the specified period, it shall be deemed that Board of Supervisors will not convene and preside over the general meeting or a Shareholders' class meeting, the Shareholders separately or jointly holding 10% or more of the total Shares may convene and preside over such meetings at their own discretion.

If the Board of Supervisors or the Shareholders decide to convene the general meeting on their own, they shall notify the Board of Directors in writing and file with the local banking supervisory authorities and other regulatory authorities. The Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of members as of the record date, and the reasonable cost required for the meeting shall be borne by the Company, which shall be deducted from the payment due to the default Directors.

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 3% or more of the voting Shares have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 3% or more of the voting Shares may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting or at least two days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). The convener shall issue the supplementary notice of the general meeting within two days after receiving the relevant proposal to disclose the contents of the temporary proposal. For the contact details, please refer to "Company Profile" of this report.

3. To hold extraordinary meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total Shares, the chairman shall convene and preside over an extraordinary meeting of Board of Directors within ten days after receiving the proposal.

Corporate Governance Report

4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the share register; personal information of the Directors, Supervisors and senior management of the Company; the Company's equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Company since the last financial year as well as the total expenses the Company paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of Board of Supervisors; bond stubs of the Company; the audited financial report, report of Board of Directors, report of Board of Supervisors, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Market Regulation or other regulatory authorities. For the contact details, please refer to "Company Profile" of this report.

(XIV) Implementation of Information Disclosure

The Company always attaches importance to information disclosure, and strictly complies with various regulatory rules of the place of listing of the Company. On the basis of comprehensively implementing various regulatory rules, the Company continuously sorts out and perfects the implementation details of information disclosure management matter from the aspect of system construction and work procedure design.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information disclosures, to disclose information in a timely and compliant manner according to the requirements and procedures of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

During the reporting period, the Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 136 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 163 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company, and enhanced the transparency of the Company's governance.

(XV) Investor Relations Management

The Company consistently conducts good management on investor relations and promotes integration of market capitalization and intrinsic value. Aimed to maximize the investors' profit and protect their legitimate rights and interests, the Company forms a corporate cultural concept of serving and respecting investors and procures sound interaction between the Company and the investors, thereby enhancing investors' understanding and recognition of the Company.

During the reporting period, by holding the 2020 domestic and foreign results presentation via live webcast, the Company strengthened domestic and foreign market communication and introduction. It made in-depth exchange with the investors and the analysts, timely answered the questions that are concerns of the investors, and effectively expanded the coverage of the investors.

During the reporting period, the Company in accordance with the regulatory requirements of the place of listing and practical experience, managed the investor relations in various forms, and consistently enhanced service level of investors. Through reverse roadshow, website of investor relations, telephone, e-mail and other means, the Company handled the matters in connection with investor relations, timely answered and fed back the questions raised by the investors, which effectively procured the further understanding of investors and analysts on the Company's investment value and enhanced the Company's influence at capital market.

Aiming to get more attention and recognition from investors, the Company consistently improves the management of web-page of investor relations, timely updates the content on the web-page, answered nearly a hundred questions from investors on the "Shanghai Stock Exchange e Interactive" platform, earnestly collects investor information, duly traces the reports from analysts, strengthens dynamic monitor of media opinions and actively learns about advice and proposals for the Company's operation and development from capital market.

(XVI) Major Changes of the Articles of Association

There were no significant changes to the Company's Articles of Association during the reporting period.

(XVII) Statement of Compliance with the Corporate Governance Code as Set Out In Hong Kong Listing Rules

The Company agrees to the principles of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules. The Company has been in full compliance with the code provisions set out in the Code during the reporting period.

Corporate Governance Report

(XVIII) Risk Management and Internal Control

In accordance with the requirements of Commercial Banking Law 《商業銀行法》, Basic Rules on Enterprise Internal Control 《企業內部控制基本規範》, Internal Control Guidelines for Commercial Banks 《商業銀行內部控制指引》 and other laws and regulations, the Company has established standardized corporate governance structure and defined the scope of rights, responsibility assignment and rules of procedures for the general meeting, Board of Directors, Board of Supervisors and Senior Management. Such organizations as Audit Committee and the Risk and Related Party Transaction Control Committee have been established under the Board of Directors to take charge of the establishment and implementation of sufficient and effective risk management and internal control system and review of the sufficiency and effectiveness of such systems. The Supervision Committee has been established under the Board of Supervisors to take charge of the supervision on sufficiency and effectiveness of internal control systems of the Board of Directors and Senior Management. The risk management and internal control committee has been established under the Senior Management to take charge of the organization and coordination of internal control management as well as establishment and improvement of the concept, system and organizational structure of internal control.

The Company has strictly complied with the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, established and continuously improved internal control and risk management system by taking account of the practical situation of the Company to reasonably ensure that the operation management complies with the laws and rules, that the assets are safe and that the financial reports and relevant information are true and complete to improve the operating efficiency and effectiveness and to promote the fulfillment of development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

During the reporting period, closely focusing on the overall goal of “two most” and the twelve-word operation policy, the Company further improved the internal control system and optimized internal control measures to enhance the effectiveness of internal control. We firmly established the concept of “internal control first and compliance-based” and took various measures to cultivate a compliance culture. We implemented the system of “unified legal person and authorised operation” and the authorised management in accordance with the principles of “limit upon levels, differentiation, dynamic adjustment and consistent rights and responsibilities”. We intensified the internal control concept of systematic management, processized systems and informationalised processes to coordinate the formulation, amendment and removal of systems, so as to improve the systems and standardize its implementation; We also integrated management requirements into system processes, and actively used big data, artificial intelligence and other technologies to improve system functions to enhance risk identification, assessment and overall process management. In accordance with the unified deployment of CBIRC, the campaign of “a Year of Construction of Internal Control and Compliance Management” (內控合規管理建設年) was carried out throughout the bank, with a view to building a long-term mechanism for risk prevention and control and healthy development by promoting the regimes, systems, processes, business and staff. The Company intensified its efforts in self-examination and self-correction and remediation of recurring problems, and the construction of internal control and compliance and systematic rectification in key risk areas achieved significant results. The internal control and compliance management system operated smoothly and effectively throughout the year, providing an important guarantee for the Company’s high-quality development.

Corporate Governance Report

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2021 in accordance with the requirements of the CSRC and Shanghai Stock Exchange. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at December 31, 2021 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank's internal control over financial reporting as at December 31, 2021 and issued the standardized audit report on internal control.

(XIX) External Auditors and Their Remuneration

For the Company's external auditors and their remuneration, please see "Directors' Report – Employment of Accounting Firms and Sponsors" of this report.

The responsibility statement of the Company's external auditors on its financial statements is set out in "Financial Report" of this report.

(XX) Internal Audit

The Company has established the independent and vertical internal audit organization system, which reports to the Board of Directors and the Audit Committee thereof, while guided and supervised by the Board of Supervisors as well. There are four direct audit branches at the head office level to strengthen audit supervision and the application of audit results for the operating departments and line management departments of the head office as well as branches and subsidiaries. Five centres, namely the Comprehensive Management Centre (Evaluation and Accountability Centre), the Off-Site Audit Centre, the Quality Control Centre and the Regulatory Affairs Centre, were also established to intensify the control over audit quality as well as accountability management of risk events, and to improve the frequency and effectiveness of audits in specific business, specific areas and important functional departments. A separate audit department has been set up in the Hong Kong Branch and 19 branch audit divisions have been set up at the locations of the domestic branches, mainly in charge of auditing to the lower level, focusing on auditing the second-tier branches and sub-branches of the local branches, while taking into account the management needs of the local branches and completing other auditing work assigned by the head of the local branches, the identification of responsibilities for non-compliance of non-performing assets authorized by the Head Office and the work assigned by the Audit Department of the Head Office, etc.

During the reporting period, the audit work closely focused on achieving the overall goal of "two most", implementing the regulatory requirements of the industry, making the new leading group's business thinking the priorities of audit and supervision, focusing on key risks, key links, key areas and key positions, and urging all lines and departments of the Bank to work around the core interests of the Bank. We have six "Must Audit" key areas, namely credit approval, business pricing, risk disposal, centralized procurement, use of expenses and selection and appointment, so that auditing can become an important approach for strengthening internal management, improving operation level and avoiding operational risks.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2020		Increase/Decrease during the reporting period (+, -)					December 31, 2021	
	Number	Proportion (%)	Issuance of New Shares	Bonus Issue	Share Capital converted from reserve fund	Other	Subtotal	Number	Proportion (%)
I. Shares Subject to Selling Restrictions	9,704,050,594	45.63	-	-	-	-	-	9,704,050,594	45.63
1. Shares Held by State	-	-	-	-	-	-	-	-	-
2. Shares Held by State-owned									
Legal Persons	3,496,621,526	16.44	-	-	-	-	-	3,496,621,526	16.44
3. Other Domestic Shares	6,207,429,068	29.19	-	-	-	-	-	6,207,429,068	29.19
Including: Shares Held by Domestic Non-State-owned									
Legal Persons	6,207,429,068	29.19	-	-	-	-	-	6,207,429,068	29.19
Shares Held by Domestic Natural Persons	-	-	-	-	-	-	-	-	-
4. Foreign Shares	-	-	-	-	-	-	-	-	-
Including: Shares Held by Foreign Legal Persons	-	-	-	-	-	-	-	-	-
Shares Held by Foreign Natural Persons	-	-	-	-	-	-	-	-	-
II. Listed Shares without Selling Restrictions	11,564,646,184	54.37	-	-	-	-	-	11,564,646,184	54.37
1. RMB Ordinary Shares	7,010,646,184	32.96	-	-	-	-	-	7,010,646,184	32.96
2. Domestic Listed Foreign Shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed Foreign Shares	4,554,000,000	21.41	-	-	-	-	-	4,554,000,000	21.41
4. Other	-	-	-	-	-	-	-	-	-
III. Total Ordinary Shares	21,268,696,778	100.00	-	-	-	-	-	21,268,696,778	100.00

As of the end of the reporting period, the issued shares of the Bank were 21,268,696,778 ordinary shares, including 16,714,696,778 A Shares and 4,554,000,000 H Shares.

2. Description on Change in Ordinary Shares

Nil

3. Effects of Change in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share for the Latest Year and Period

Nil

4. Changes in A Shares Subject to Lock-up

There were no changes in the Company's shares subject to lock-up during the reporting period.

(II) Issuance and Listing of Securities

1. Issuance of Securities during the Reporting Period

During the reporting period, the Company had not issued any new ordinary shares.

2. Description on Change in Asset and Liability Structure

Nil

Changes in Shares and Information on Shareholders

(III) Information on Shareholders of Ordinary Shares

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Bank had 263,028 shareholders of ordinary shares in total, including 262,907 shareholders of A Shares and 121 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 259,873 shareholders of ordinary shares, including 259,752 shareholders of A Shares and 121 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (or shareholders without selling restrictions) was as follows:

Unit: Share

Name of Shareholder (full name)	Increase/Decrease during the reporting period	Shareholdings of Top Ten Shareholders			Pledge and freezing		Nature of shareholders
		Number of shares held at the end of period	Proportion (%)	Number of shares held subject to selling restrictions	Status of Shares	Number	
HKSCC Nominees Limited	+ 1,000	4,553,782,800	21.41	-	Unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	2,655,443,774	12.49	2,655,443,774	-	-	State-owned Legal Person
Traveller Automobile Group Co., Ltd.	-	1,346,936,645	6.33	1,346,936,645	Freezing	1,346,936,645	Domestic Non-State-owned Legal Person
Hengdian Group Holdings Limited	-	1,242,724,913	5.84	1,242,724,913	-	-	Domestic Non-State-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	841,177,752	3.96	841,177,752	-	-	State-owned Legal Person
Minsheng Life Insurance Company Ltd. – self-owned capital	-	803,226,036	3.78	-	-	-	Domestic Non-State-owned Legal Person
Zhejiang Yongli Industry Group Co., Ltd.	-	548,453,371	2.58	-	Pledge	548,453,371	Domestic Non-State-owned Legal Person
Tong Lian Capital Management Co., Ltd.	-	543,710,609	2.56	543,710,609	-	-	Domestic Non-State-owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	508,069,283	2.39	508,069,283	Pledge	508,069,283	Domestic Non-State-owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	494,655,630	2.33	494,655,630	Pledge	494,655,630	Domestic Non-State-owned Legal Person

Changes in Shares and Information on Shareholders

Shareholdings of Top Ten Shareholders without Selling Restrictions

Name of Shareholder	Number of circulating shares held without selling restrictions	Class and number of Shares	
		Class	Number
HKSCC Nominees Limited	4,553,782,800	H Shares	4,553,782,800
Minsheng Life Insurance Company Ltd. – self-owned capital	803,226,036	A Shares	803,226,036
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	A Shares	548,453,371
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	A Shares	457,816,874
Jinggong Group Co., Ltd.	454,403,329	A Shares	454,403,329
Lizi Industry Group Co., Ltd.	380,292,205	A Shares	380,292,205
Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	302,993,318	A Shares	302,993,318
Zhejiang RIFA Holding Group Co., Ltd.	213,470,000	A Shares	213,470,000
HKSCC	207,152,414	A Shares	207,152,414
Zhejiang Huatong Holdings Group Co., Ltd.	206,136,242	A Shares	206,136,242
Description of repurchase special accounts among the top ten shareholders	Nil		
Description of the above shareholders' right to vote by proxy, proxy and abstention	Nil		
Description on the connected relationship and action in concert of the shareholders above	Among the above shareholders, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship, and Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Keqiao District Development and Operation Group Co., Ltd. have a connected relationship. Otherwise, the Company was not aware of other connected relationship between any other shareholders above or whether they were parties acting in concert.		
Description on shareholders of preference shares with restoration of voting rights and their number of shares held	Nil		

Note: The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H shares which were trading in its transaction system. The number of shares held by HKSCC, as a nominee holder, was the sum of A Shares (shares under Shanghai Connect) designated by and held on behalf of Hong Kong and overseas investors in their capacity. Whether the H Shares were pledged was unknown to the Bank.

Changes in Shares and Information on Shareholders

Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Conditions of Selling Restrictions

Unit: Share

No.	Name of Shareholders subject to Selling Restrictions	Shares Held Subject to Selling Restrictions	Listing and Trading of Shares Subject to Selling Restrictions		Conditions of Selling Restriction
			Listing and Trading Date	Number of Additional Listing and Trading Shares	
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	2022-11-28	0	Selling Restriction for Initial Offering
2	Traveller Automobile Group Co., Ltd.	1,346,936,645	2022-11-28	0	Selling Restriction for Initial Offering
3	Hengdian Group Holdings Limited	1,242,724,913	2022-11-28	0	Selling Restriction for Initial Offering
4	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	2022-11-28	0	Selling Restriction for Initial Offering
5	Tong Lian Capital Management Co., Ltd.	543,710,609	2022-11-28	0	Selling Restriction for Initial Offering
6	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2022-11-28	0	Selling Restriction for Initial Offering
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2022-11-28	0	Selling Restriction for Initial Offering
8	Xizi Elevator Group Co., Ltd.	469,708,035	2022-11-28	0	Selling Restriction for Initial Offering
9	Guangsha Holding Group Co., Ltd.	457,005,988	2022-11-28	0	Selling Restriction for Initial Offering
10	Shanghai Xizi United Investment Co., Ltd.	380,838,323	2022-11-28	0	Selling Restriction for Initial Offering
Description on the connected relationship and action in concert of the shareholders above		Except Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship, the Company was not aware of other connected relationship between any other shareholders above or whether they were parties acting in concert.			

(IV) Information on the Controlling Shareholders and De Facto Controllers

As of the end of the reporting period, the Bank had no controlling shareholders and de facto controllers.

Changes in Shares and Information on Shareholders

(V) Information on the Company's Largest Shareholder of Ordinary Shares

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.49% of the shares of the Company and was the Company's largest shareholder of ordinary shares.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763. With a registered capital of RMB12.0 billion, the company is a financial investment management platform established by Zhejiang Provincial Government. The company is a state-owned enterprise directly subordinated to the provincial government and is supervised and managed by Zhejiang Provincial Department of Finance with the authorization from Zhejiang Provincial Government. The company is mainly engaged in financial equity investment, government equity investment fund management, asset management and other business.

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2021

Unit: Share, %

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	12.49	Holding 5% or more of our Bank's shares	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	6.99	Holding 5% or more of our Bank's shares in total with the related parties	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zhejiang Energy Capital Holdings Co., Ltd. (H share)	365,633,000	1.72			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.32			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.
5	Traveller Automobile Group Co., Ltd. ⁽¹⁾	1,346,936,645	6.33	6.33	Holding 5% or more of our Bank's shares	-	-	-	-	-

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
6	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2.39	5.84	Holding 5% or more of our Bank's shares in total with the related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd.
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33			494,655,630	Qiu Jianlin (邱建林)		Nil	Zhejiang Hengyi Group Co., Ltd.
8	Zhejiang Hengyi Petrochemical Co., Ltd.	240,000,000	1.13			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
9	Hengdian Group Holdings Limited	1,242,724,913	5.84	5.84	Holding 5% or more of our Bank's shares	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
10	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	925,700,000	4.35	4.99	Jointly dispatch Directors to our Bank	-	Zhejiang Seaport Asset Management Co., Limited	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Seaport (Hong Kong) Co., Limited
11	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	135,300,000	0.64			-	State-owned Assets Supervision and Administration Commission of the People's Government of Ningbo Municipal		Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
12	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	2.15	3.58	Jointly dispatch Supervisors to our Bank	-	Keqiao District Shaoxing Development & Operation Group Co., Ltd.	Shaoxing City Keqiao Finance Bureau	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
13	Keqiao District Shaoxing Development & Operation Group Co., Ltd.	302,993,318	1.42			-	Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd.		Nil	Keqiao District Shaoxing Development & Operation Group Co., Ltd.

Notes:

- All our shares held by Traveller Automobile Group Co., Ltd. have been judicially frozen. The judicial disposal has not been completed, and the completion time is uncertain. Traveller Automobile Group Co., Ltd. did not provide information on and the Company was not aware of its controlling shareholder, De facto controller, parties acting in concert, and ultimate beneficial owner.
- Since July 15, 2021, Guangsha Holding Group Co., Ltd. and its related parties, Zhejiang Dongyang No.3 Construction Engineering Co., Ltd. (浙江省東陽第三建築工程有限公司) and Zhejiang Guangsha Co., Ltd., have not appointed any directors, and Minsheng Life Insurance Co., Ltd. has not appointed any supervisors, so they do not constitute substantial shareholders of the Company; Aeon Life Insurance Co., Ltd., who have appointed a director, will become a substantial shareholder of the Company upon the approval of the director's qualification.

Changes in Shares and Information on Shareholders

(VII) Pledge and Freezing of Ordinary Shares

As at the end of the reporting period, to the knowledge of the Company, 3,895,217,355 shares of the Bank (representing 18.31% of the total ordinary shares in issue) were pledged, of which, 1,456,016,432 shares were subject to judicial freezing.

(VIII) Interests in Shares and Short Positions in Accordance with the Hong Kong Securities and Futures Ordinance

As of December 31, 2021, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	2,655,443,774	12.49	15.89
Traveller Automobile Group Co., Ltd. (Note 1)	Beneficial owner	A Shares	Long position	1,346,936,645	6.33	8.06
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Association For Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	841,177,752	3.96	5.03
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy Capital Holdings Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy International Co., Ltd.	Beneficial owner	H Shares	Long position	280,075,000	1.32	6.15

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,061,000,000	4.99	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	925,700,000	4.35	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	925,700,000	4.35	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	934,000,000	4.39	20.51
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
FTLIFE INSURANCE COMPANY LIMITED	Beneficial owner	H Shares	Long position	276,704,000	1.30	6.08
EARNING STAR LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
SUCCESS IDEA GLOBAL LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
NWS SERVICE MANAGEMENT LIMITED (Note 2)	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
NWS SERVICE MANAGEMENT LIMITED (Note 2)	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
NWS HOLDINGS LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
NEW WORLD DEVELOPMENT COMPANY LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
CHOW TAI FOOK ENTERPRISES LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
CHOW TAI FOOK (HOLDING) LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
CHOW TAI FOOK CAPITAL LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
CHENG YU TUNG FAMILY (HOLDINGS) LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
CHENG YU TUNG FAMILY (HOLDINGS II) LIMITED	Interest of controlled corporation	H Shares	Long position	276,704,000	1.30	6.08
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Beneficial owner	H Shares	Long position	250,000,000	1.18	5.49
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Shanghai Run Kuan Investment Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Liu Yaozhong (劉耀中)	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Great Wall Securities Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Jiaxing Credit Lingxin Investment Partnership Enterprise (Limited Partnership) (嘉興信業領信投資合夥企業 (有限合夥))	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Aeon Life Insurance Co. Ltd.	Beneficial owner	H Shares	Long position	228,651,000	1.08	5.02
Goncius I Limited (Note 3)	Beneficial owner	H Shares	Long position	792,843,890	3.73	17.41
	Beneficial owner	H Shares	Short position	792,843,890	3.73	17.41
DBS Group Holdings Ltd (Note 3)	Interest of controlled corporation	H Shares	Long position	446,545,149	2.10	9.81
	Interest of controlled corporation	H Shares	Short position	439,196,840	2.07	9.64
DBS Bank Ltd. (Note 3)	Beneficial owner	H Shares	Long position	446,545,149	2.10	9.81
	Beneficial owner	H Shares	Short position	439,196,840	2.07	9.64

Notes:

- (1) Since Traveller Automobile Group Co., Ltd., one of the shareholders, cannot provide relevant information, the Company is not aware of the latest situation of its share interests and short position.
- (2) These two companies that have the same name have different addresses of registration. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.
- (3) This part involves derivative instrument. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on December 31, 2021.

Changes in Shares and Information on Shareholders

(IX) Issue of Bonds

On June 13, 2018, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2017] No.339) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2017] No.232), the Company publicly issued the first tranche of tier-two capital bonds of 2018 of China Zheshang Bank Co., Ltd. in an amount of RMB15 billion in the national interbank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, and the Company may exercise the right of redemption with pre-conditions upon the expiry of the first five-year period. Raised proceeds will all be used to replenish the tier-two capital of the Company. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AA+.

On September 16, 2019, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.794) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2019] No.139), the Company publicly issued 2019 green financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used in the green industrial projects stipulated by Green Bond Endorsed Project Catalogue 《綠色債券支持項目目錄》 issued by Green Finance Professional Committee under China Finance Association (中國金融學會綠色金融專業委員會) pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of green financial bonds was AAA.

On March 3, 2020, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the first tranche of 2020 small and micro corporate financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 8, 2020, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the second tranche of 2020 small and micro corporate financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB15 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

On September 24, 2021, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2021] No.717) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2021] No.19), the Company publicly issued the first tranche of 2021 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

Changes in Shares and Information on Shareholders

(X) Information about Offshore Preference Shares

1. Issuance and listing of offshore preference shares

Pursuant to the approval of the CBIRC (Yin Jian Fu [2017] No. 45) and the approval of the CSRC (Zheng Jian Xu Ke [2017] No. 360), the Bank made a non-public issuance of US\$2.175 billion Offshore Preference Shares in the offshore market on March 29, 2017. The Offshore Preference Shares had a par value of RMB100 and raised US\$20 per share, all of which were subscribed in U.S. dollars. Such Offshore Preference Shares were listed on the Hong Kong Stock Exchange on March 30, 2017 (Stock Code of Preference Shares: 4610).

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on March 29, 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB14.989 billion. Subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBIRC and the CSRC, the capital raised from the Offshore Preference Shares issuance were used to replenish the Bank's additional tier 1 capital after deducting the issuance expenses, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure.

Stock Code of Offshore Preference Shares	Issuing Date	Issuing Price (US\$/share)	Initial Annual Dividend Rate (%)	Issue Volume (Share)	Total Issue Amount (US\$)	Listing Date	Approved Number of Shares for Listing and Dealing (Share)
4610	2017/3/29	20	5.45	108,750,000	2,175,000,000	2017/3/30	108,750,000

2. Relevant articles with respect to rights and interests of the offshore preference shares have been included to the Company's articles of association, which can be found on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

3. Number of shareholders and shareholding of offshore preference shares

As at the end of the reporting period, the total number of shareholders (or nominees) of the Company for the Offshore Preference Shares was one, being The Bank of New York Depository (Nominees) Limited as the nominee.

Name of Shareholder	Nature of Shareholder	Share Class	Increase/Decrease during the Reporting Period (Share)	Shareholding Ratio (%)	Total Number of Shares Held (Share)	Number of Shares Subject to Selling Restrictions (Share)	Number of Shares Pledged or Frozen (Share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	-	100	108,750,000	-	unknown

Notes:

- (1) Shareholding information on shareholders of Offshore Preference Shares was provided based on the information specified in the register of shareholders of Offshore Preference Shares of the Bank.
- (2) As the issuance was an offshore non-public offering, what is set out in the register of shareholders of Offshore Preference Shares is the information on the Offshore Preference Shares held by The Bank of New York Depository (Nominees) Limited as a nominee on behalf of the placees in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. as of the end of the reporting period.

4. Profit distribution for Offshore Preference Shares

The Bank paid the dividend in cash once a year to the holders of the Offshore Preference Shares. The dividend not paid by the Bank in full to the holders of the Offshore Preference Shares will not be accumulated to the next interest-bearing year. After being distributed with the dividend according to the agreed dividend rate, the holders of the Offshore Preference Shares shall no longer participate in the distribution of the remaining profits with the holders of the Ordinary Shares.

According to the resolution and authorization of shareholders' general meeting, the Board meeting dated January 5, 2021 deliberated and adopted the Proposal for Distributing Dividends for Offshore Preference Shares, approving the Bank to distribute the dividends for Offshore Preference Shares on March 29, 2021. Pursuant to relevant laws and regulations of China, while distributing dividends for Offshore Preference Shares to offshore non-resident corporate shareholders, the Bank shall withhold and pay on their behalf the corporate income tax calculated on a tax rate of 10%. According to relevant terms and conditions with respect to the Bank's Offshore Preference Shares, relevant taxes and fees shall be paid by the Bank. The dividends for Offshore Preference Shares distributed this time totaled US\$131,708,333.33, including: US\$118,537,500 actually paid to shareholders of the Offshore Preference Shares according to an annual dividend yield of 5.45%; pursuant to relevant legal regulations, the corporate income tax withheld and paid on behalf based on a tax rate of 10% was US\$13,170,833.33.

Changes in Shares and Information on Shareholders

For the implementation plan for the distribution of dividends for Offshore Preference Shares, please refer to the announcements published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

The above dividend was paid on March 29, 2021.

5. Redemption or conversion of Offshore Preference Shares

During the reporting period, no redemption or conversion occurred for the Bank's Offshore Preference Shares.

On December 17, 2021, the 2021 Third Extraordinary Meeting of the Sixth Session of the Board of Directors of the Company considered and approved the Proposal on Redemption of Offshore Preference Shares, agreeing to the full redemption of US\$2.175 billion offshore preference shares. The Company received a reply letter from the CBIRC in January 2022, which had no objection to the redemption.

In accordance with the terms and conditions of the Company's offshore preference shares, the Company has redeemed all of the offshore preference shares on March 29, 2022 (the "Redemption Date"). The redemption price per share shall be the issue price per offshore preference share (i.e. the Liquidation Preference Amount) plus any dividends per share declared but not yet paid for the period from the previous dividend payment date (inclusive) to the Redemption Date (exclusive). The total redemption consideration is US\$2,293,537,500, including US\$2.175 billion for the liquidation preference amount of the offshore preference shares, and the dividends of US\$118,537,500. For details, please refer to the Company's announcements published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

6. Resumption of voting rights for Offshore Preference Shares

During the reporting period, no resumption of voting rights occurred for the Bank's Offshore Preference Shares.

7. Accounting policies adopted for Offshore Preference Shares and the reasons thereof

In accordance with the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments and the Rules on Differentiating the Financial Liabilities and Equity Instruments and Relevant Accounting Treatment published by the Ministry of Finance, as well as IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Disclosures and Presentation formulated by the International Accounting Standards Board, the terms of the issued and existing Offshore Preference Shares of the Bank meet the requirements for being accounted as equity instruments and will be accounted as equity instruments.

(XI) Information about Undated Capital Bond

As considered and approved at the sixth extraordinary meeting of the fifth session of the Board of the Company in 2020 and the Company's 2021 first extraordinary general meeting and with the approval from the CBIRC and the PBOC, the Company successfully issued undated capital bonds with a total issue amount of RMB25.0 billion on 25 November 2021 in China's national inter-bank bond market. The coupon rate is 3.85% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of Directors, Supervisors and senior management as at the end of the reporting period

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Shen Renkang (沈仁康)	Chairman, executive Director	Male	1963.01	2014.09–2022.01	30,000	70,000	161.69	No
Zhang Rongsen (張榮森)	executive Director, President	Male	1968.10	2021.08–2024.07	332,000	738,000	211.06	No
Ma Hong (馬紅)	executive Director	Female	1972.04	2021.11–2024.07	0	0	11.82	No
Chen Haiqiang (陳海強)	executive Director, Vice President	Male	1974.10	2021.11–2024.07 (executive Director) 2020.07–2024.07 (Vice President)	157,000	257,000	189.32	No
Ren Zhixiang (任志祥)	non-executive Director	Male	1969.02	2020.11–2024.07	0	0	–	Yes
Gao Qinhong (高勤紅)	non-executive Director	Female	1963.07	2004.07–2024.07	0	0	–	Yes
Hu Tiangao (胡天高)	non-executive Director	Male	1965.09	2004.07–2024.07	0	0	–	Yes
Zhu Weiming (朱瑋明)	non-executive Director	Male	1969.03	2016.12–2024.07	0	0	–	Yes
Tong Benli (童本立)	Independent non- executive Director	Male	1950.08	2015.06–2022.02	0	0	30.00	Yes
Dai Deming (戴德明)	Independent non- executive Director	Male	1962.10	2015.06–2022.02	0	0	30.00	Yes
Liu Pak Wai (廖柏偉)	Independent non- executive Director	Male	1948.01	2015.07–2022.02	0	0	30.00	Yes

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zheng Jindu (鄭金都)	Independent non-executive Director	Male	1964.07	2016.01– Approval date of qualification for taking office as new independent director	0	0	30.00	Yes
Zhou Zhifang (周志方)	Independent non-executive Director	Male	1956.12	2018.10–2024.07	0	0	30.00	No
Wang Guocai (王國才)	Independent non-executive Director	Male	1956.11	2018.10–2024.07	0	0	30.00	No
Wang Wei (汪偉)	Independent non-executive Director	Male	1967.08	2020.11–2024.07	0	0	30.00	Yes
Xu Renyan (徐仁艷)	Former executive Director, President	Male	1964.03	2004.07–2021.06 (executive Director) 2018.07–2021.06 (President)	604,600	722,100	110.04	No
Wang Jian (王建)	Former non-executive Director	Male	1980.12	2020.11–2021.07	0	0	–	Yes
Lou Ting (樓婷)	Former non-executive Director	Female	1976.10	2015.06–2021.07	0	0	–	Yes
Guo Dingfang (郭定方)	Employee Supervisor, Chairman of Board of Supervisors	Male	1969.10	2021.07–2024.07	0	0	37.83	No
Pan Jianhua (潘建華)	Shareholder Supervisor	Male	1966.05	2021.01–2024.07	0	0	–	Yes
Pan Huafeng (潘華楓)	Employee Supervisor	Male	1972.01	2021.07–2024.07	0	0	–	No
Chen Zhongwei (陳忠偉)	Employee Supervisor	Male	1970.09	2018.06–2024.07	0	0	–	No
Cheng Huifang (程惠芳)	External Supervisor	Female	1953.09	2016.06–2022.06	0	0	30.00	Yes

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zhang Fanquan (張范全)	External Supervisor	Male	1960.10	2021.07–2024.07	0	0	15.00	No
Song Qinghua (宋清華)	External Supervisor	Male	1965.09	2021.07–2024.07	0	0	15.00	Yes
Chen Sanlian (陳三聯)	External Supervisor	Male	1964.11	2021.07–2024.07	0	0	15.00	Yes
Yu Jianqiang (于建強)	Former shareholder's representative Supervisor, Chairman of Board of Supervisors	Male	1962.03	2015.02–2021.07	110,000	210,000	117.80	No
Zheng Jianming (鄭建明)	Former Employee Supervisor, Vice Chairman of Board of Supervisors	Male	1973.01	2015.02–2021.12	0	0	–	No
Wang Chengliang (王成良)	Former Employee Supervisor	Male	1963.06	2017.05–2021.07	0	0	–	No
Wang Feng (王峰)	Former Employee Supervisor	Male	1978.05	2021.06–2021.09	0	0	–	No
Yuan Xiaoqiang (袁小強)	Former External Supervisor	Male	1963.03	2015.02–2021.07	0	0	17.50	No
Wang Jun (王軍)	Former External Supervisor	Male	1970.04	2015.02–2021.07	0	0	17.50	No
Huang Zuhui (黃祖輝)	Former External Supervisor	Male	1952.06	2015.02–2021.07	0	0	17.50	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Wu Jianwei (吳建偉)	Vice President	Male	1971.02	2016.07–2022.02	627,900	733,400	189.24	No
Liu Long (劉龍)	Vice President, Secretary of the Board	Male	1965.09	2016.04–2024.07 (Vice President) 2015.02– 2024.07 (Secretary of the Board)	620,100	1,029,700	188.84	No
Luo Feng (駱峰)	Vice President	Male	1979.09	2019.05–2021.12 (Assistant to President) 2021.12– 2024.07(Vice President)	150,300	246,300	183.58	No
Jing Feng (景峰)	Vice President, Chief Financial Officer	Male	1979.12	2018.12–2024.07 (Chief Financial Officer) 2021.12– 2024.07 (Vice President)	150,000	250,000	182.42	No
Sheng Hongqing (盛宏清)	Assistant to President	Male	1971.07	2019.05–2022.02	144,700	235,200	175.92	No
Jiang Rong (姜戎)	Chief Audit Officer	Male	1969.12	2021.08–2024.07	0	63,000	73.51	No
Xu Manxuan (徐蔓萱)	Former Vice President	Male	1963.10	2016.04–2021.06	604,300	712,300	94.77	No
Liu Guishan (劉貴山)	Former Vice President, Chief Risk Officer	Male	1963.06	2020.07–2021.06	151,800	242,300	94.89	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Note:

Nomination of Directors of the sixth session of the Board of the Company is as follows: Hou Xingchuan (Director) was nominated by Zhejiang Provincial Financial Holdings Co., Ltd. (shareholder); Ren Zhixiang (Director) was nominated by Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), and Zhejiang Energy International Co., Ltd. (shareholders); Gao Qinhong (Director) was nominated by Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. (shareholders); Hu Tiangao (Director) was nominated by Hengdian Group Holdings Limited (shareholder); Zhu Weiming (Director) was nominated by Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and Zhejiang Seaport (Hong Kong) Co., Limited (shareholders); and Zhuang Yuejin (Director) was nominated by Aeon Life Insurance Company Ltd. (shareholder).

Nomination of incumbent shareholder Supervisors for the sixth session of the Board of Supervisors of the Company is as follows: Pan Jianhua (Supervisor) was nominated by Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Keqiao District Development and Operation Co., Ltd. (shareholders).

The Company's employee Supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee Supervisors.

The time of the beginning of the term of Directors and senior management shall be subject to the approval time of the CBIRC, and shall be effective since the date of first appointment for re-elected Directors, Supervisors and senior management.

The aggregate pre-tax remunerations of certain Directors, Supervisors and senior management of the Company are still being verified, and the information about the pretax remunerations of other staff will be disclosed separately upon confirmation of payment.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

2. Changes of Directors, Supervisors and senior management

Directors

On June 7, 2021, Mr. Xu Renyan resigned as executive Director of the Company due to work arrangement.

On July 15, 2021, the Company convened 2021 second extraordinary general meeting due to the expiration of the term of office of the fifth session of the Board of Directors, at which 16 directors, including Mr. Shen Renkang, Mr. Zhang Rongsen, Ms. Ma Hong, Mr. Chen Haiqiang, Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming, Mr. Zhuang Yuemin, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Guan Pinfang, were elected to constitute the Company's sixth session of the Board of Directors; Mr. Wang Jian and Ms. Lou Ting no longer served as the non-executive directors of the Company's sixth session of the Board of Directors; Mr. Tong Benli, Mr. Dai Deming and Mr. Liu Pak Wai will continue to perform their duties as required before the ratification of the new independent non-executive Directors' qualifications until February 2022. The director qualification of Mr. Zhang Rongsen, Ms. Ma Hong, Mr. Chen Haiqiang, Mr. Hou Xingchuan and Mr. Xu Yongbin had been approved by the regulatory department, and the director qualifications of Mr. Zhuang Yuemin and Mr. Guan Pinfang are subject to approval from the regulatory department.

On January 11, 2022, Mr. Shen Renkang resigned as the Executive Director and Chairman of the Board of the Company due to work arrangements.

Upon unanimous approval of all Directors by way of voting on January 14, 2022, Mr. Zhang Rongsen, an executive Director and President of the Bank, will act as the acting Chairman and legal representative of the Bank until the day on which a new Chairman is elected and the qualification of such person is approved by the CBIRC.

On February 23, 2022, the Company held the first extraordinary general meeting of the Company in 2022 to elect Mr. Lu Jianqiang, secretary of the CPC of the Company, to serve as a director of the sixth session of the Board of Directors.

Supervisors

At the Company's first workers and employees' congress of the third session of the Board of Supervisors on 16 June 2021, Guo Dingfang was elected as the employee supervisor of the Company's fifth session of the Board of Supervisors and Guo Dingfang, Zheng Jianming, Wang Feng, Chen Zhongwei and Pan Huafeng were elected as the employee supervisors of the sixth session of the Board of Supervisors.

At the 2021 second extraordinary general meeting of shareholders on July 15, 2021, Mr. Pan Jiahua was elected as the shareholder supervisor of the sixth session of the Board of Supervisors, and Ms. Cheng Huifang, Mr. Zhang Fanquan, Mr. Song Qinghua and Mr. Chen Sanlian were elected as the external supervisors. Mr. Yu Jianqiang, Mr. Wang Chengliang, Mr. Yuan Xiaoqiang, Mr. Wang Jun and Mr. Huang Zuhui ceased to act as supervisor of the Company. At the general meeting of shareholders, 1 shareholder supervisor and 4 external supervisors were elected to constitute the sixth session of the Board of Supervisors together with 5 employee supervisors elected on June 16, 2021.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

On September 9, 2021, Mr. Wang Feng resigned as the employee supervisor of the Company due to work adjustments.

On December 22, 2021, Mr. Zheng Jianming resigned as the deputy chief supervisor and the employee supervisor due to adjustment to internal positions.

Senior management

At 2021 first extraordinary meeting of the Company's fifth session of the Board of Directors on January 5, 2021, it was approved to dismiss Mr. Song Shizheng as chief information officer.

On June 7, 2021, Xu Renyan resigned as the President of the Company due to work arrangements.

On June 7, 2021, Mr. Xu Manxuan resigned as the Vice President of the Company due to work arrangements.

On June 7, 2021, Mr. Liu Guishan resigned as the Vice President and chief risk officer of the Company due to work arrangements.

At 2021 seventh extraordinary meeting of the Company's fifth session of the Board of Directors on June 16, 2021, it was approved to appoint Mr. Zhang Rongsen as the President of the Company.

At 2021 ninth extraordinary meeting of the Company's fifth session of the Board of Directors on June 30, 2021, it was approved to appoint Mr. Luo Feng and Mr. Jing Feng as Vice President of the Company, and Mr. Chen Haiqiang as the chief risk officer.

At the first meeting of the Company's sixth session of the Board of Directors on July 15, 2021, it was approved to appoint Mr. Zhang Rongsen as the President of the Company, Mr. Chen Haiqiang as the Vice President and chief risk officer of the Company, Mr. Wu Jianwei, Mr. Liu Long and Mr. Luo Feng as the Vice President of the Company, Mr. Jing Feng as the Vice President and chief financial officer of the Company, Mr. Sheng Hongqing as the President assistant of the Company, and Mr. Jiang Rong as the chief auditor of the Company. Mr. Zhang Rongsen's qualification as the President of the Company was approved by the CBIRC on August 27, 2021. Mr. Luo Feng and Mr. Jing Feng's qualification as the Vice Presidents of the Company was approved by CBIRC on December 6, 2021. Mr. Jiang Rong's qualification as the chief auditor of the Company was the approved by the CBIRC on August 25, 2021.

On February 18, 2022, Mr. Wu Jianwei resigned as the Vice President of the Company for personal reasons, and Mr. Sheng Hongqing resigned as President assistant of the Company for personal reasons. Mr. Wu Jianwei and Mr. Sheng Hongqing no longer held any position in the Company.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

3. Posts held by incumbent Directors, Supervisors and Senior Management in shareholders and those resigned during the reporting period

Name	Name of shareholder	Position in shareholders	Date of Appointment	Date of Termination
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	General manager	October 2019	to date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	Director	June 2020	to date
Gao Qinrong	Zhejiang Hengyi Group Co., Ltd.	Chief financial advisor	April 2012	to date
Hu Tiangao	Hengdian Group Holdings Limited	Director and Senior Vice President	September 1995	to date
Zhu Weiming	Zhejiang Seaport (Hong Kong) Co., Limited	Director	November 2016	to date
Pan Jianhua	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Secretary of the party committee	September 2020	to date
Pan Jianhua	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Chairman	November 2020	to date
Cheng Huifang	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Independent Director	October 2020	to date

4. Posts held by incumbent Directors, Supervisors and Senior Management in other companies and those resigned during the reporting period

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Ren Zhixiang	Zhejiang Fuzhe Investment Co., Ltd.	Director	April 2020	To date
Ren Zhixiang	Zheshang Property Insurance Co., Ltd.	Vice President	January 2021	To date
Ren Zhixiang	Orient Securities Co., Ltd.	Director	March 2021	To date
Hu Tiangao	Hengdian Group East Magnetic Co., Ltd.	Director	March 2008	To date
Hu Tiangao	Puluo Pharmaceutical Co., Ltd.	Director	May 2008	To date
Hu Tiangao	Yingluohua Technology Co., Ltd.	Director	April 2011	To date
Hu Tiangao	Hengdian Group Debang Lighting Co., Ltd.	Director	January 2013	To date
Hu Tiangao	Hengdian Film and Television Co., Ltd.	Director	June 2015	To date
Hu Tiangao	Nanhua Futures Co., Ltd.	Director	April 2021	To date
Zhu Weiming	Ningbo Zhoushan Port Group Co., Ltd.	Supervisor	January 2020	March 2021
Zhu Weiming	Zhejiang Harbor Asset Management Co., Ltd.	President	April 2016	To date
Zhu Weiming	Zhejiang Harbor Asset Management Co., Ltd.	General manager	November 2020	To date
Zhu Weiming	Zhejiang Harbor Group Finance Co., Ltd.	President	January 2020	November 2021
Zhu Weiming	Zhejiang Harbor Commodity Trading Center Co., Ltd.	President	November 2016	To date
Zhu Weiming	Zhejiang Harbor Industry and Finance Investment Management Co., Ltd.	Director	July 2016	To date
Zhu Weiming	Zhejiang Toumen Port Investment Development Co., Ltd.	Director	July 2016	October 2021
Zhu Weiming	Zhejiang Harbor Dushan Port Co., Ltd.	Director	June 2016	March 2021
Zhu Weiming	Zhejiang Fuzhe Investment Co., Ltd.	Director	November 2016	September 2021

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Zhu Weiming	Donghai Shipping Insurance Co., Ltd.	Director	June 2018	January 2021
Zhu Weiming	Donghai Shipping Insurance Co., Ltd.	Vice President, and director	January 2019	January 2021
Zhu Weiming	Zhejiang Zhegang Trading Co., Ltd.	President	January 2019	December 2021
Zhu Weiming	Ningbo Shipping Exchange Co., Ltd.	President	February 2019	August 2021
Zhu Weiming	Zhejiang Zhigangtong Technology limited company	Director	Aug 2021	To date
Tong Benli	Zhejiang Zhengyuan Smart Technology Co., Ltd.	Independent director	March 2015	To date
Tong Benli	Zhejiang Pujiang Rural Commercial Bank Co., Ltd.	Independent director	December 2016	To date
Tong Benli	Zhejiang Anglikang Pharmaceutical Co., Ltd.	Independent director	October 2014	January 2021
Dai Deming	Haier Smart Home Co., Ltd.	Independent director	June 2015	June 2021
Dai Deming	BOC Aviation Leasing Co., Ltd.	Independent director	May 2016	To date
Dai Deming	China Securities Co., Ltd.	Independent director	August 2016	To date
Dai Deming	China Electric Power Construction Co., Ltd.	Independent director	March 2018	To date
Dai Deming	Poly Development Holding Group Co., Ltd.	Independent director	September 2018	To date
Dai Deming	Accounting Society of China	Vice-chairman	September 2004	To date
Dai Deming	Renmin University of China	Professor	July 1996	To date
Liu Pak Wai	Transport International Holdings Limited	Independent non-executive director	September 2011	To date
Liu Pak Wai	Hang Lung Group Limited	Independent non-executive director	March 2015	To date
Liu Pak Wai	Shenzhen Advanced Financial Research Institute	Council member	January 2017	To date
Liu Pak Wai	Lau Chor Tak Institute of Global Economics and Finance of Chinese University of Hong Kong	Research professor	August 2013	To date
Liu Pak Wai	Hong Kong Monetary and Financial Research Centre of the Hong Kong Monetary Authority	Director	March 2003	To date
Zheng Jindu	Zhejiang Liuhe Law Firm	Director and partner	December 1998	To date
Zheng Jindu	Songdu Family Estate Investment Co., Ltd.	Independent director	April 2016	To date
Zheng Jindu	Qianghuang New Materials Co., Ltd.	Independent director	April 2016	October 2021
Zheng Jindu	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent director	October 2018	To date
Zheng Jindu	Hangzhou Sanmen Chamber of Commerce	Chairman	March 2014	To date
Zheng Jindu	Zhejiang Lawyers Association	Chairman of tenth council	June 2019	To date
Zheng Jindu	Zhejiang Law Society	Vice chairman of eighth council	November 2015	To date
Zheng Jindu	All-China Lawyers Association	Vice chairman of tenth council	October 2021	To date
Zheng Jindu	Zhejiang Federation of Industry and Commerce	Member of eleventh advisory committee	July 2017	To date
Zheng Jindu	Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference	Member of Twelfth CPPCC Committee	January 2018	To date
Wang Wei	Zhejiang University	Professor	August 1990	To date
Wang Wei	Zhejiang Financial Research Institute	President	September 2017	To date
Wang Wei	Zhejiang Financial Industry Development and Promotion Association	Executive Vice President	June 2013	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Wang Wei	Beida Pharmaceutical Co., Ltd.	Independent director	November 2019	To date
Wang Wei	Three-Dimensional Communication Co., Ltd.	Independent director	January 2020	To date
Wang Wei	Zhejiang Internet Commercial Bank Co., Ltd.	Independent director	April 2019	To date
Wang Wei	Wanxiang Trust Co., Ltd.	Independent director	April 2017	To date
Wang Wei	Zhongwang Fabric Co., Ltd.	Independent director	November 2021	To date
Cheng Huifang	Ningbo Fujia Industrial Co., Ltd.	Independent director	June 2020	To date
Cheng Huifang	China Textile City Group Co., Ltd.	Independent director	October 2020	To date
Cheng Huifang	Zhejiang Huace Film and Television Co., Ltd.	Independent director	June 2016	To date
Cheng Huifang	Zhejiang Youyi Medical Equipment Co., Ltd.	Independent director	August 2020	To date
Cheng Huifang	Zhejiang Jinshi Resources Co., Ltd.	Independent director	January 2022	To date
Chen Zhongwei	Zhejiang Zheyin Financial Leasing Co., Ltd.	Supervisor	June 2020	To date
Song Qinghua	Chongqing Rural Commercial Bank Co., Ltd.	Independent director	September 2017	To date
Song Qinghua	Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司)	Supervisor	September 2018	To date
Chen Sanlian	Zheshang Zhongtuo Group Co., Ltd.	Independent director	April 2016	To date
Chen Sanlian	Jiakaicheng Group Co., Ltd.	Independent director	April 2016	To date
Chen Sanlian	Hengyi Petrochemical Co., Ltd.	Independent director	August 2017	To date
Chen Sanlian	Zhejiang Weixing Intelligent Instrument Co., Ltd.	Independent director	May 2021	To date
Chen Sanlian	Zhejiang Jingong Technology Co., Ltd.	Independent director	August 2021	To date
Chen Sanlian	Zhejiang Humanities Landscape Co., Ltd. (浙江人文園林股份有限公司)	Director	May 2017	To date
Yu Jianqiang	Zhejiang Automobile and Motorcycle Sports Federation	Vice chairman	June 2014	To date
Yu Jianqiang	Zhejiang Boshiwa Enterprise Development Co., Ltd.	President and General Manager	October 2011	To date
Yuan Xiaoqiang	Zhonghui (Zhejiang) Tax Agency Co., Ltd.	Legal representative, General manager, President	October 2019	To date
Yuan Xiaoqiang	Hangzhou Sidu Investment Consulting Co., Ltd.	Director	May 2017	To date
Yuan Xiaoqiang	Zhejiang Kaibei Investment Consulting Co., Ltd.	Director	January 2018	To date
Yuan Xiaoqiang	Hangzhou Zhonghui Education Consulting Co., Ltd.	Legal representative, President	February 2019	To date
Yuan Xiaoqiang	Zhonghui Tax Co., Ltd.	General manager, Director	May 2018	To date
Wang Jun	Central Plains Bank Co., Ltd.	Chief economist	November 2017	To date
Wang Jun	Gold Stone Resources Group Co., Ltd.	Independent director	December 2018	To date
Wang Jun	Potash International Investment (Guangzhou) Co., Ltd.	Independent director	January 2020	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

5. Profile of Directors, Supervisors and senior management and information of their concurrent post as at the end of the reporting period

Directors

Shen Renkang (沈仁康)

Mr. Shen Renkang is currently the secretary of the Communist Party of China (“CPC”) committee, chairman of the Board and executive Director of the Company. He holds a postgraduate degree and is a senior economist. Mr. Shen had successively held the posts of member of the CPC standing committee, vice county chief, vice county secretary of CPC committee, acting county chief and county chief of Qingtian County, Zhejiang; he served as the vice mayor of Lishui City, Zhejiang and successively held the position of vice mayor and CPC working committee secretary of management committee of Lishui Economic Development Zone; member of the standing committee of Lishui City, Zhejiang, vice mayor and CPC working committee secretary of management committee of Lishui Economic Development Zone; member of the standing committee of Lishui City, Zhejiang and vice mayor as well as the deputy secretary of the municipal CPC committee of Lishui City and politics and law committee secretary in the municipal CPC committee of Lishui City; and he also served as deputy secretary of municipal CPC committee, acting mayor and mayor of Quzhou City, Zhejiang Province.

Zhang Rongsen (張榮森)

Mr. Zhang Rongsen is currently the deputy secretary of the CPC committee, executive Director and Vice President of the Bank. He holds a Doctoral degree and is a senior economist. Mr. Zhang served as President of Hangtianqiao Sub-branch, Beijing Branch, China Guangfa Bank, member of the CPC committee and assistant to President of Beijing Branch, China Guangfa Bank; director of the preparations, secretary of the CPC committee and President of Beijing Branch, Bank of Jiangsu, and member of the CPC committee, Vice President and executive director of Bank of Jiangsu; member of the CPC committee and Vice President of the Bank, and secretary of the CPC committee and President of Beijing Branch of the Bank.

Ma Hong (馬紅)

Ms. Ma Hong is currently the deputy secretary of the CPC committee, executive Director and director of the Labor Union of the Company. She holds a postgraduate degree. Ms. Ma Hong was deputy chief of the hygiene section of the logistics department of the Qingdao Garrison (青島警備區); deputy director and director of the hygiene section of the logistics department of Zhejiang Army Reserve Infantry Division (浙江陸軍預備役步兵師), associate consultant of the General Office of Cadres of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部幹部綜合處); associate consultant, deputy division chief, consultant and division chief of the Civil Servant Management Office of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員管理處); and division chief and primary consultant of the First-division of Civil Servant of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員一處).

Chen Haiqiang (陳海強)

Mr. Chen Haiqiang is currently a member of the CPC committee, executive Director, Vice President and CRO of the Company. He holds a master degree and is a senior economist, with a university degree. Mr. Chen worked as deputy principal staff member at Zhejiang Branch, China Development Bank; deputy director (in charge of relevant work) of Ningbo Beilun Banking Office, President of Ningbo Beilun Branch, member of the CPC committee, assistant to President, and Vice President of Ningbo Branch, China Merchants Bank; secretary of the CPC committee and President of Ningbo Branch, China Zheshang Bank, the assistant to President of China Zheshang Bank, and secretary of the CPC committee and President of Hangzhou Branch of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Ren Zhixiang (任志祥)

Mr. Ren Zhixiang is currently a non-executive Director of the Company. He holds a Doctoral degree and is a senior economist. Mr. Ren worked as the deputy General Manager of Investment Banking Department of Zhejiang International Trust and Investment Co., Ltd. (浙江省國際信託投資有限責任公司), senior director of Asset Management Department and chief economist, deputy director and director of Strategic Management and Legal Department of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司). He currently serves as the General Manager and deputy secretary of the CPC committee of Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司).

Gao Qinhong (高勤紅)

Ms. Gao Qinhong is currently a non-executive Director of the Company. She holds a postgraduate degree and is a senior economist. Ms. Gao worked as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China. She also served as accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China; section chief of credit and loan section and division-level inspector of Hangzhou branch and Vice President of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd.; vice General Manager and chief financial officer and director of Zhejiang Hengyi Group Co., Ltd. and director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). She currently serves as chief financial advisor of Zhejiang Hengyi Group Co., Ltd..

Hu Tiangao (胡天高)

Mr. Hu Tiangao is currently a non-executive Director of the Company. He holds an EMBA degree and is a senior economist. Mr. Hu served as Vice President of Dongyang sub-branch, Bank of China. He is currently a director and senior Vice President of Hengdian Group Holdings Limited; director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); director of Apelo Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); director of Innuovo Technology Co., Ltd. (英洛華科技股份有限公司); director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司); director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司) and director of Nanhua Futures Co., Ltd. (南華期貨股份有限公司).

Zhu Weiming (朱瑋明)

Mr. Zhu Weiming is currently a non-executive Director of the Company. He holds a postgraduate degree. Mr. Zhu successively held the positions of vice director and director of the General Manager service department at Jiaxing Power Generation Co., Ltd.; vice general manager and secretary of the board for Zhejiang Southeast Electric Power Company Limited; vice General Manager at Zhoushan Marine Comprehensive Development and Investment Co., Ltd.; vice director of the investment and development department at Zhejiang Marine Development & Investment Group Co., Ltd.; vice director of the investment and development department, vice director and director of the finance and asset management department as well as director of Financial Affairs Department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.. He is currently the chairman and General Manager of Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司); chairman of Zhejiang Seaport Bulk Commodity Exchange Co., Ltd. (浙江海港大宗商品交易中心有限公司), as well as director of Zhejiang Zhigangtong Technology Co., Ltd (浙江智港通科技有限公司), Zhejiang Seaport Asset Finance Investment Management Co., Ltd. (浙江海港產融投資管理有限公司) and Zhejiang Seaport (Hong Kong) Co., Limited.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Tong Benli (童本立)

Mr. Tong Benli is currently an independent non-executive Director of the Company. He holds a postgraduate degree and is a professor and a senior accountant. Mr. Tong held the position of division chief of budget division of Zhejiang Provincial Department of Finance; associate dean, dean and secretary of CPC committee of Zhejiang College of Finance & Economics (now known as Zhejiang University of Finance and Economics); independent director of Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司), Hangzhou Sunyard System Engineering Co., Ltd. (杭州信雅達系統工程股份有限公司), Zhejiang Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司), Soyea Technology Co., Ltd. (數源科技股份有限公司), Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司), Hangzhou Changqiao Travelling Investment Co., Ltd. (杭州長喬旅遊投資集團股份有限公司), Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司) and Zhejiang Anglikang Pharmaceutical Co., Ltd. (浙江昂利康製藥股份有限公司) respectively. Mr. Tong is currently an independent director of Zhejiang Zhengyuan Zhihui Technology Co., Ltd. (浙江正元智慧科技股份有限公司) and Zhejiang Pujiang Rural Commercial Bank Co., Ltd. (浙江浦江農村商業銀行股份有限公司) respectively.

Dai Deming (戴德明)

Mr. Dai Deming is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Dai has been teaching at the accounting department of Renmin University of China, being a lecturer, associate professor and professor successively. Mr. Dai was an independent director of Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司) and Haier Smart Home Co., Ltd. (海爾智家股份有限公司) respectively. He currently serves as vice chairman of Accounting Society of China and independent director of BOC Aviation Limited, China Securities Co., Ltd. (中信建投證券股份有限公司), Power Construction Corporation of China, and Poly Developments and Holdings Group Co., Ltd..

Liu Pak Wai (廖柏偉)

Mr. Liu Pak Wai is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Liu has been teaching at the Chinese University of Hong Kong, being a lecturer, senior lecturer, professor and chair professor of the Chinese University of Hong Kong successively, during which, he also worked as pro-vice chancellor of the Chinese University of Hong Kong. He served as director of Institute of Global Economics and Finance, the Chinese University of Hong Kong, and an independent non-executive director of Hang Lung Properties Limited (恒隆地產有限公司). Mr. Liu now works as a professor of Lau Chor Tak Institute of Global Economics and Finance, the Chinese University of Hong Kong, a director of Hong Kong Institute of Monetary and Financial Research under the Hong Kong Monetary Authority, an independent non-executive director of Transport International Holdings Limited (載通國際控股有限公司) and Hang Lung Group Limited (恒隆集團有限公司) respectively; and a council member of Shenzhen Finance Institute. Mr. Liu was awarded the Hong Kong Silver Bauhinia Star in 1999 and was appointed Hong Kong Justice of the Peace in 2006.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Zheng Jindu (鄭金都)

Mr. Zheng Jindu is currently an independent non-executive Director of the Company. He holds a postgraduate degree and is a qualified first grade lawyer. Mr. Zheng was a lecturer at the Faculty of Law of Hangzhou University (now known as Zhejiang University), a vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所) and an independent director of Changjiang & Jingong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司). Mr. Zheng is currently a director and partner of Zhejiang L&H Law Firm (浙江六和律師事務所) and he is also the managing director of Ninth Council of All China Lawyers Association (中華全國律師協會), the member of the 12th CPPCC National Committee of Zhejiang Province, the President of Tenth Council of Zhejiang Lawyers Association (浙江省律師協會), the vice-President of Seventh Council of Zhejiang Law Society and the President of Sanmen Chamber of Commerce in Hangzhou. He serves as an independent director of Hangzhou United Rural Commercial Bank Co. Ltd. and Sundy Land Investment Co., Ltd. (宋都基業投資股份有限公司).

Zhou Zhifang (周志方)

Mr. Zhou Zhifang is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Zhou held the posts of deputy unit chief at People's Bank of China, Jiangshan Sub-branch; deputy unit chief at Industrial and Commercial Bank of China, Jiangshan Sub-branch; director at the business department and the savings department, Vice President, member of the CPC committee, leader of the discipline inspection team, deputy secretary of the CPC committee, Vice President (in charge), secretary of the CPC committee and President of Industrial and Commercial Bank of China, Quzhou Branch; Vice President and member of the CPC committee of Industrial and Commercial Bank of China, Jiangxi Branch; Vice President, member of the CPC committee, and General Manager and secretary of the CPC committee of the business department of Guangdong Branch of Industrial and Commercial Bank of China; President and secretary of the CPC committee of Ningbo Branch of Industrial and Commercial Bank of China; director of Shanghai Branch of the Internal Audit Bureau of Industrial and Commercial Bank of China; and senior expert (at President level) of Zhejiang Branch of Industrial and Commercial Bank of China of during which he acted as leader of the third inspection team in the head office of Industrial and Commercial Bank of China.

Wang Guocai (王國才)

Mr. Wang Guocai is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Wang held the posts of Vice President and President of Yuhuan Sub-branch of Industrial and Commercial Bank of China; President of Wenling Sub-branch of Industrial and Commercial Bank of China; Vice President and President of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Provincial Branch of Industrial and Commercial Bank of China.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Wang Wei (汪煒)

Mr. Wang Wei is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Wang has been teaching at School of Economics, Zhejiang University, being a lecturer, associate professor, professor successively. He served as the deputy dean and deputy director of the Academic Committee of School of Economics, Zhejiang University and the executive dean of Institute of Finance, Zhejiang University. He currently serves as a professor of School of Economics, Zhejiang University; the chief expert of Institute of Finance, Zhejiang University; the executive Vice President of Zhejiang Financial Industry Development Promotion Association (浙江省金融業發展促進會); the President of Academy of Financial Research, Zhejiang Province (浙江省金融研究院); and an independent Director of Zhejiang MYBank Co., Ltd. (浙江網商銀行股份有限公司), Betta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sunwave Communications Co., Ltd. (三維通信股份有限公司), ZhongWang Fabric Co., Ltd. and Wanxiang Trust Co., Ltd. (萬向信託股份公司).

Supervisors

Guo Dingfang (郭定方)

Mr. Guo Dingfang is currently a member of the CPC committee of the Company, Chairman of the Board of Supervisors and an employee Supervisor. He holds a master's degree and the title of senior accountant. Mr. Guo previously served as an officer at vice-director level and an officer at director level of the infrastructure division, an officer at director level and the deputy division chief of the economic construction division (during which he served as a member of the CPC committee and deputy director of the Finance Bureau of Xihu District, Hangzhou under temporary assignment), the director of the government procurement supervision division in the State-owned Assets Bureau of the Department of Finance of Zhejiang Province, and the director of the budget enforcement bureau of Department of Finance of Zhejiang Province.

Pan Jianhua (潘建華)

Mr. Pan Jianhua is currently a shareholder Supervisor of the Company. Mr. Pan holds a bachelor's degree. Mr. Pan has previously served as a teacher of Taoli Secondary School and Qixian Town Secondary School in Shaoxing County, Shaoxing; league branch secretary of Dahe Secondary School in Shaoxing County; leader of the chemistry teaching and research group of Qixian District; the dean and Vice President of Ma'an Town Secondary School in Shaoxing County; President and party branch secretary of Ma'an Town Adult Culture and Technical School, Anchang Town Secondary School and Qixian Town Secondary School in Shaoxing County; director of the education management office and party branch secretary in charge of education in Anchang Town, Shaoxing County; deputy director of urban construction administrative committee office in Pingshui Town, Shaoxing County; member of the party committee and deputy chief of Pingshui Town, Shaoxing County, Shaoxing; deputy party secretary in Anchang Town, Shaoxing County; deputy director of the education and sports bureau in Keqiao District, Shaoxing; party branch secretary and director of the exhibition industry development office in Keqiao District, Shaoxing; party branch secretary and director of the exhibition industry development centre in Keqiao District; and member of the party working committee of China Textile City in Keqiao District. He is currently the secretary of the party committee and chairman of Zhejiang China Light & Textile Industrial City Group Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Pan Huafeng (潘華楓)

Mr. Pan Huafeng is an employee Supervisor. He holds an undergraduate degree and is an economist. Mr. Pan Huafeng previously served as a section chief of the risk management division of Ningbo Branch of Bank of China; the Vice President of Ningbo Yinzhou Sub-branch of Bank of China; chief and General Manager of the risk management division (department) of Ningbo Branch of Bank of China; a member of the CPC committee, the deputy secretary of the commission for discipline inspection, the risk monitoring officer, the assistant to the President, the secretary of the commission for discipline inspection, Vice President, the secretary of CPC committee and the President of Ningbo Branch of China Zheshang Bank. He is currently the General Manager of the risk management department of the Bank.

Chen Zhongwei (陳忠偉)

Mr. Chen Zhongwei is currently an employee Supervisor of the Company. He holds an undergraduate degree and is an economist. Mr. Chen used to work as chief of the business and system sections at the credit division at Zhejiang Branch of Industrial and Commercial Bank of China; General Manager of the risk management department and the corporate department at Hangzhou Branch of China Everbright Bank; risk director (assistant to President) and member of the CPC committee at Shanghai Branch of China Everbright Bank; risk director (Vice President) and member of the CPC committee at Suzhou Branch of China Everbright Bank; as well as deputy General Manager of the credit review department of the Bank (in charge of relevant work). Mr. Chen currently works as General Manager of the internal control, compliance and legal affairs department of the Company and supervisor of Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司).

Cheng Huifang (程惠芳)

Ms. Cheng Huifang is currently an external Supervisor of the Company. She holds a doctoral degree and is a professor and doctoral supervisor. She was a lecturer and the vice professor of Zhejiang Chemical College and Zhejiang Institute of Technology (now known as Zhejiang University of Technology). She also worked as the assistant to the President, the executive Vice President and the President of College of Economics and Management, Zhejiang University of Technology. She is now the President of Global Institute for Zhejiang Merchants Development, Zhejiang University of Technology. She also serves as the general director of Zhejiang Institute of Financial Engineering, an independent director of Zhejiang China Light & Textile Industrial City Group Co., Ltd. (中國輕紡城集團), Ningbo Fujia Industrial Co., Ltd. (寧波富佳實業股份有限公司), Zhejiang UE Medical Corp. (浙江優億醫療器械股份有限公司), Zhejiang Huace Film & TV Co., Ltd. (浙江華策影視股份有限公司) and China Kings Resources Group Co., Ltd. (浙江金石資源股份有限公司).

Zhang Fanquan (張范全)

Mr. Zhang Fanquan is an external Supervisor of the Company. He holds a master's degree and the title of senior accountant. Mr. Zhang previously served as the deputy director of the credit card department, the vice division chief of the funds raising division and deposit division and the deputy General Manager of the market development department of Hangzhou Branch of Agricultural Bank of China; the division chief of the finance division of Hangzhou office and a Party member, deputy General Manager, secretary of the commission of discipline inspection of Shenzhen office of China Great Wall Asset Management Corporation; the director and deputy General Manager of Shenzhen Great Wall Guosheng Investment Holding Co., Ltd. (深圳長城國盛投資控股有限公司); the secretary of CPC committee and General Manager of Hangzhou office of China Great Wall Asset Management Corporation; the secretary of CPC committee and General Manager of Zhejiang Branch (formerly Hangzhou office) of China Great Wall Asset Management Corporation; the chief operation officer of China Great Wall Asset Management Co., Ltd.; the secretary of CPC committee and chairman of Great Wall Guofu Real Estate Co., Ltd. (長城國富置業有限公司).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Song Qinghua (宋清華)

Mr. Song Qinghua is an external Supervisor of the Company. He is currently a doctor, professor and an expert receiving Special Government Allowances from the State Council. Mr. Song was successively a visiting scholar at Saint Mary's University in Canada, University of Rhode Island in the United States, and University of Cincinnati in the United States. He served as the Vice President and President of the School of Finance of Zhongnan University of Economics and Law. He is currently a professor and doctoral advisor of the School of Finance of Zhongnan University of Economics and Law and serves as a committee member of China Society for Finance and Banking and a committee member of the Finance Professional Education Steering Committee of Higher College of the Ministry of Education, an independent director of Chongqing Rural Commercial Bank Co., Ltd. and a supervisor of Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司).

Chen Sanlian (陳三聯)

Mr. Chen Sanlian is an external Supervisor of the Company. He holds a postgraduate degree. Mr. Chen served as a cadre of the lawyer administration division of the Ministry of Justice of Zhejiang Province; an associate editor-in-chief of Lawyer and Legality 《(律師與法制)》; and the general secretary of Zhejiang Lawyers Association. He is currently a vice chairman of Zhejiang Lawyers Association, an arbitrator of China International Economic and Trade Arbitration Commission, a member of Zhejiang Chinese People's Political Consultative Conference, and a think tank expert, and an expert committee member of the Judge and Prosecutor Selection Committee and disciplinary committee of Zhejiang Province, and also an independent director of Galxon Group Co., Ltd., an independent director of Zheshang Development Co., Ltd., a director of Zhejiang Humanistic Landscape Co., Ltd. (浙江人文園林股份有限公司), an independent director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司), and an independent director of Zhejiang Jingong Science & Technology Co., Ltd.

Senior Management

Zhang Rongsen(張榮森)

Please refer to Mr. Zhang Rongsen's profile in the "Directors" section above.

Chen Haiqiang (陳海強)

Please refer to Mr. Chen Haiqiang's profile in the "Directors" section above.

Wu Jianwei (吳建偉)

Mr. Wu Jianwei is currently a member of the CPC committee and the Vice President of the Company. He holds a postgraduate degree and is a senior engineer. Mr. Wu worked at Zhejiang provincial branch, Agricultural Bank of China where he successively held the positions of vice section chief of application development section of information and technology department I, section chief of sales development department, assistant to director; he served as vice director of data operation center; he held the position of vice division chief (in charge) and division chief of E-bank division; General Manager of E-bank department; secretary of CPC Committee and President of Wenzhou branch, Agricultural Bank of China; CPC committee member and President assistant of Inner Mongolia Autonomous Region branch of Agricultural Bank of China; President assistant of China Zheshang Bank, as well as the secretary of the CPC committee and the President of Shanghai Branch of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Liu Long (劉龍)

Mr. Liu Long is currently a CPC committee member, Vice President, secretary to the Board and company secretary of the Company. He holds a postgraduate degree and is a senior accountant. Mr. Liu worked at finance and tax bureau of Changshan County, Zhejiang, during which period he served as vice director and CPC party member; secretary of CPC committee of Tianma Town, Changshan County, Zhejiang; director and secretary of CPC committee of planning and economy committee of Changshan County, Zhejiang; vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; county CPC standing committee member of Changshan County, Zhejiang, as well as vice county chief of Changshan County People's Government; vice secretary of CPC county committee, vice county chief and vice secretary of CPC county committee, vice secretary of CPC committee of Changshan County, Zhejiang and chairman of People's Political Consultative Conference of Changshan County, Zhejiang; director and secretary of CPC committee of the economic and information committee of Quzhou City, Zhejiang; vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang; and director of the Board of Directors Office as well as the CPC committee office of China Zheshang Bank.

Luo Feng (駱峰)

Mr. Luo Feng is currently the Vice President of the Company. He holds a doctoral degree. Mr. Luo worked as manager assistant of financial market research center of treasury department, manager assistant of business management center, deputy manager and manager of business management center (research center) of treasury department, risk monitoring officer and General Manager assistant of treasury department, manager of risk management center, deputy General Manager and deputy General Manager (in charge of relevant work) of treasury department of China Zheshang Bank, and assistant to President and General Manager of Financial Market Department of the bank.

Jing Feng (景峰)

Mr. Jing Feng is currently the Vice President and chief financial officer of the Company. He is a certified public accountant in the US, with a postgraduate degree. Mr. Jing worked as the deputy General Manager and General Manager of planning and finance department of Suzhou Branch, China Minsheng Bank, finance specialist of corporate financial business department of China Minsheng Bank; deputy General Manager of Jiangsu business department of China Zheshang Bank, member of the CPC committee and Vice President of Nanjing Branch, China Zheshang Bank; deputy General Manager (in charge of relevant work) and General Manager of finance and accounting department, and also General Manager of finance and accounting department and General Manager of asset and liability management department of China Zheshang Bank, CFO of China Zheshang Bank and General Manager of the planning & finance department (asset and liability management department) of the bank.

Sheng Hongqing (盛宏清)

Mr. Sheng Hongqing is currently the assistant to President of the Company. He holds a doctoral degree. Mr. Sheng worked as the deputy head and head of financial engineering division of treasury department of China Everbright Bank; and the assistant to President and chief investment officer of Huishang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Jiang Rong (姜戎)

Mr. Jiang Rong is the Chief Audit Officer of the Company and General Manager of its audit department. He holds an undergraduate degree and is an accountant. Mr. Jiang served as an assistant to division chief and vice division chief at the finance division in Shanghai Electric Tool Research Institute of the Ministry of Machine-Building and Electronics Industry. In addition, he successively served as a director-level section member and assistant to division chief at the commerce and trade audit division of the commissioner's office in Shanghai of the National Audit Office, vice division chief at the financial audit division of the commissioner's office in Shanghai of the National Audit Office, the division chief at the first financial audit division of the commissioner's office in Shanghai of the National Audit Office, division chief at the resources and environmental protection audit division, the audit principal and General Manager of audit department at Dazhong Insurance Co., Ltd. and General Manager of the audit department of China Zheshang Bank.

6. Profile of new or proposed Directors, Supervisors and senior management and information of their concurrent post as of the date of this report

Directors

Lu Jianqiang (陸建強)

Mr. Lu Jianqiang joined the Company in January 2022 and currently serves as the secretary of the Communist Party of China ("CPC") committee. He holds a postgraduate degree of philosophy and is a senior economist. Mr. Lu has previously served as the deputy director of Zhejiang Enterprise Records Management Center, the deputy director of the office of Zhejiang Provincial Administration for Industry and Commerce, the director of the business information management office of Zhejiang Provincial Administration for Industry and Commerce, the director of the office of Zhejiang Provincial Administration for Industry and Commerce, a member of the CPC committee and the director of the office of Zhejiang Provincial Administration for Industry and Commerce, the deputy director of the general office and a member of the CPC committee of Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, the deputy director of the general office and a member of the CPC committee of Zhejiang Provincial Government, a deputy secretary general and a member of the CPC committee of general office of Zhejiang Provincial Government, the secretary of the CPC committee and the chairman of the board of Caitong Securities Co., Ltd.. Currently, he also serves as the chairman of the first council of Zhejiang Mergers and Acquisitions Association (浙江省併購聯合會), the chairman of the first council of Zhejiang Financial Advisory Service Federation (浙江省金融顧問服務聯合會) and the director of the financial services committee of The General Association of Zhejiang Entrepreneurs (浙商總會).

Hou Xingchuan (侯興釗)

Mr. Hou Xingchuan holds a postgraduate degree and is an economist. Mr. Hou used to serve as a cadre of the Information Center (信息中心), associate chief officer of the Planning and Finance Division (計劃財務處) and chief officer of the Planning and Finance Division of Zhejiang Provincial Taxation Bureau (浙江省地方稅務局), the deputy director general (temporary position) of Jinhua Municipal Taxation Bureau, Jiangbei Branch (金華市地方稅務局江北分局); chief officer of the Office (辦公室), deputy director general of the Planning and Finance Division and deputy director of the Office of Zhejiang Provincial Taxation Bureau; member of the CPC committee and deputy general manager (temporary position) of Zhejiang Development Asset Operations Co., Ltd. (浙江省發展資產經營有限公司); Level 6 management post of Zhejiang Financial Development Co., Ltd. (浙江省財務開發公司) and general manager of the Strategic Development (戰略發展部) of Zhejiang Financial Holdings Co., Ltd. (浙江省金融控股有限公司). He is currently a member of the CPC committee and deputy general manager of Zhejiang Financial Holdings Co., Ltd. The qualification of Mr. Hou for appointment as a Director was approved by the CBIRC in January 2022.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Zhuang Yuemin (莊粵珉)

Mr. Zhuang Yuemin holds a master's degree and is an economist. Mr. Zhuang served as the head of business unit of Shenzhen branch of China Securities Co., Ltd. (華夏證券股份有限公司), the general manager of business unit of Weishen Securities Co., Ltd. (蔚深證券有限責任公司), a deputy general manager of brokerage business management headquarter of China Southern Securities Co., Ltd. (南方證券有限公司), the general manager of south China business headquarter of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), the general manager of asset management headquarter of Huaxi Securities Co., Ltd. (華西證券有限責任公司), the vice president of Goldstate Securities Co., Ltd. (金元證券股份有限公司) and a deputy general manager of Minsheng Tonghui Asset Management Co., Ltd. (民生通惠資產管理有限公司). He is currently the chairman of AEON Insurance Asset Management Co., Ltd (百年保險資產管理有限責任公司), the vice president of AEON Life Insurance Co., Ltd. (百年人壽保險股份有限公司), a non-executive director of Fosun International Limited (復星國際有限公司) and a non-executive director of Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司).

Xu Yongbin (許永斌)

Mr. Xu Yongbin holds a doctor's degree and is a Level-2 professor and doctoral supervisor. Mr. Xu has been teaching at the Zhejiang Gongshang University (浙江工商大學), and served as a lecturer, associate professor, professor and deputy dean of the Accounting Department of Hangzhou Business College (杭州商學院) successively. He served as a professor and dean of the Accounting College of Zhejiang Gongshang University. He also served as the vice president of the Accounting Society of Zhejiang Province (浙江省會計學會), the vice president of the Auditing Society of Zhejiang Province (浙江省審計學會), and an independent non-executive director of Ningbo Zhoushan Port Group Co., Ltd. (寧波舟山港股份有限公司). He is currently a member of the Accounting Society of China (中國會計學會), the vice president of Zhejiang Association of CFO (浙江省總會計師協會), a standing member of China Business Accounting Institute (中國商業會計學會), as well as an independent non-executive director of Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), Zhejiang Yongtai Technology Co., Ltd. (浙江永太科技股份有限公司), Zhejiang Sanmei Chemical Industry Co., Ltd. (浙江三美化工股份有限公司) and Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司). The qualification of Mr. Xu for appointment as an independent director was approved by the CBIRC in February 2022.

Guan Pinfang (關品方)

Mr. Guan Pinfang holds a doctor's degree and is an Australian certified public accountant. Mr. Guan served as the vice president of the Hong Kong Shipping Department (香港區航船舶部) of Citibank (花旗銀行), the vice president of the Asia-Pacific Elevator Department of United Technologies Company (聯合技術公司), the managing director of Hintful Capital Group (興科融資集團), a professor of Beijing Normal University – Hong Kong Baptist University (北京師範大學-香港浸會大學) United International College, executive dean of the HKU Zhejiang Institute of Research and Innovation (香港大學浙江科學技術研究院). He is currently a member of the Executive Committee of Hong Kong Economic Association (香港經濟學會), the chief advisor of the think tank of Qingshanhu Sci-tech City in Hangzhou, Zhejiang (浙江杭州青山湖科技城), the president of Zhuhai Chuangke Yinlian Business Consulting Co., Ltd (珠海創科引聯商務諮詢有限公司), the vice chairman of Shanghai Qiaoyue IoT Technology Co., Limited (橋悅(上海)物聯網科技有限公司), a Director of Hong Kong Economic Trading International Association (香港國際經貿合作協會) and the chairman of the Education and Training Committee (教育培訓委員會).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

7. Remuneration policies for Directors, Supervisors and senior management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the general meeting for approval after being approved by the Board of Supervisors. Non-full-time shareholder supervisors of the Company do not receive remuneration from the Company.

The Company's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the Shareholders, and it is implemented by the Board of Directors.

The Remuneration Management Plan of Directors and Supervisors of China Zheshang Bank Co., Ltd. considered and approved at the 2018 annual general meeting and the Measures for Performance Appraisal and Rewards & Punishments of Senior Management for 2021 of China Zheshang Bank Co., Ltd. considered and approved at the 2nd extraordinary meeting of the sixth session of the Board of Directors in 2021 have provided the basis for determining the remuneration of the Directors, Supervisors and senior management for the year 2021.

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism for the senior management. The remuneration of the senior management is linked with the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(II) Employees and Remuneration Policies

As of the end of the reporting period, the Group had 17,288 employees (including dispatched employees, outsourced technicians and employees of the subsidiary of the Company), representing an increase of 1,291 as compared with that at the end of last year. Divided by the position types, 7,128 employees of the Company were categorized as marketing personnel, 1,593 employees as counter personnel, and 8,567 employees as mid-office and back-office personnel; divided by the educational levels, 4,142 obtained post-graduate degree or above (including 76 with doctorate degree), 12,194 obtained bachelor degree, and 952 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 128 employees had retired from the Company.

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept with unified and classified management by adhering to the principle of marketization and in accordance with the single-level legal person system. The Company continues to improve the linkage mechanism of remuneration level with performance capabilities of individual positions and personal operational performance, and strives to set up a remuneration management system that reflects internal fairness and external competitiveness, promotes the co-growth of employees and the Company, focuses equally on incentives and restraints, gives attention to both position value, contribution and long-term incentives, and matches the change in remuneration with the market rate and economic benefits.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

(III) Employees Training

Based on our operation and development strategy, the Company conducts all-staff training to improve professional capabilities and performance. In addition, it also attaches high importance to the training of key talents and promote the innovation and transformation of businesses. It strengthens digital and intelligent orientation of training with forward-looking features to enhance the effectiveness of training, so as to comprehensively improve management abilities and professional capabilities of our employees, and provide knowledge and talents support for the implementation of our strategy. During the reporting period, the Bank held 1662 training programmes in total with 474,905 attendances.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(IV) Information on Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
Yangtze River Delta region	Head office	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang	1	3,606	–
	Small Enterprise Credit Center	2F, No. 368, Yan'an Road, Hangzhou, Zhejiang	1	44	–
	Hangzhou Branch	Block D, Zhujin Building, No.1 Minxin Road, Hangzhou, Zhejiang	52	2,236	283,817
	Nanjing Branch	No.9, Zhongshan North Road, Nanjing	28	1,059	110,033
	Shanghai Branch	No. 567, Weihai Road, Jing'an District, Shanghai	11	636	99,419
	Suzhou Branch	Yueliangwan International Business Center, No. 9, Cuiwei Street, Industrial Park Zone, Suzhou	10	455	64,412
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	15	583	74,794
	Hefei Branch	Block A16, Financial Harbour Centre, No. 4872, Huizhou Avenue, Binhu New District, Hefei	3	239	20,303
	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	11	443	46,266
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	9	426	42,402
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	2	85	6,967
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua	7	344	30,316

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
Bohai Rim Region	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	22	935	190,609
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	15	809	76,713
	Tianjin Branch	Overseas Chinese Building, No.92, Nanjing Road, Heping District, Tianjin,	12	490	36,556
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	292	18,078
Pearl River Delta and West Strait Economic Zone	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	10	604	89,573
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	12	580	85,295
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	1	58	5,434
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	14	511	49,183
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	9	458	64,373
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	11	505	49,574
	Wuhan Branch	International Financial Center, No. 296, Xinhua Road, Jiangnan District, Wuhan, Hubei	4	332	29,445

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
	Zhengzhou Branch	No. 2 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan	3	274	28,972
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	1	119	11,358
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	3	217	16,175
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	3	140	16,437
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	1	127	14,454
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	411	22,748
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136-1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	52	779
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	72	37,178
Subsidiary	Zheyin Financial Leasing	5/F, Block D, Zhujin Building, No.1 Minxin Road, Jianggan District, Hangzhou, Zhejiang	1	146	43,765

Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Business Review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Future Development" are set out in the section headed "Management Discussion and Analysis"; "Major Events Occurred after the Reporting Period" is set out in the section headed "Significant Events"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation on Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Directors, Supervisors, Senior Management, Employees and Institutions". Please refer to "Performance of Social Responsibilities" in this section for the information on "Environmental Policy and Performance".

(III) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association, our profit distribution policy is:

- (1) The Company shall distribute profits after income tax in the following order:
 - To make up for the losses of previous years;
 - To set aside 10% as statutory reserve fund;
 - To make provision for general risk reserve;
 - To set aside discretionary reserve fund;
 - To pay dividends to shareholders.
- (2) The Company may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.
- (3) After the profit distribution plan is adopted at the general meeting of the Company, the Board shall finish distributing profits within two months after the general meeting.

Directors' Report

- (4) Cash dividends and other payments made by the Company to the holders of A Shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Company to the holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars. The formulation and implementation of policy on cash dividend are in compliance with the requirements of the Articles and Association and the resolutions passed at the general meeting. The standards and proportion of dividends declaration are clear and explicit and the procedures and mechanism of decision making are well-organized, and have been considered and approved by the independent non-executive Directors. Minority Shareholders may fully express their opinions and requirements, and their legitimate interests have been fully protected.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2021 are set out in the section of "Notes to Consolidated Financial Statement" in this report.

According to Rule 18 of the Administrative Measures on Issuance and Underwriting of Securities (《證券發行與承銷管理辦法》) issued by the CSRC and related regulatory Q&A requirements, for securities issued by listed companies, a company that has profit distribution proposal(s), or conversion of capital reserve into share capital proposal(s) which are yet to be submitted to general meeting for voting, or when such proposal has already been approved by general meeting but yet to be implemented, the issuance of such securities can only be proceeded after such proposal has been implemented. In light of the progress of share allotment, future development and the interests of the Shareholders as a whole, the Company does not recommend the distribution of dividends for ordinary shares for the year 2021, or the conversion of capital reserve into share capital. Meanwhile, the Company will consider dividend distribution depending on the progress of share allotment, in order to secure a reasonable return on investment and implement the policy of distributing dividend stably.

3. Cash dividends for ordinary shares in the past three years

Item	2021	2020	2019
Cash dividend for every 10 shares (tax inclusive, in RMB)	–	1.61	2.40
Cash dividend (tax inclusive, in RMB million)	–	3,424	5,104
Percentage of cash dividend (%)	–	30.10	39.49

Directors' Report

4. Dividend tax

(1) Holders of A Shares

In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85)《(財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101)《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for the Relevant Individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the Enterprise Income Tax Law of the PRC include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the Enterprise Income Tax Law of the PRC and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

(2) Holders of H Shares

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993] 045 (Guo Shui Han No. [2011] 348)《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

Directors' Report

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) 《(非居民納稅人享受稅收協定待遇管理辦法)(國家稅務總局公告2019年第35號)》 and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

(IV) Donations

During the reporting period, the Group's external donations amounted to RMB17.39 million.

(V) Major Customers

During the reporting period, the Group's interest income and other total operating income attributable to our five largest customers did not exceed 30% of the annual interest income and other total operating income of the Group.

(VI) Purchase and Sale and Redemption of Securities

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listing securities.

(VII) Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC laws.

(VIII) Public Float

Based on the public information available to the Company and to the knowledge of the Directors, as of the Latest Practicable Date prior to the issue of this report, the Company had met the public float requirement of the Hong Kong Listing Rules.

(IX) Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year ended December 31, 2021.

Directors' Report

(X) Material Connected Transactions

Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for the Connected Transactions between the Commercial Banks and their Insiders or Shareholders 《(商業銀行與內部人和股東關聯交易管理辦法)》, the Interim Measures for the Shareholding Management of Commercial Banks 《(商業銀行股權管理暫行辦法)》, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, the Company considered and approved the Proposal on the Estimated Quota of Daily Connected Transactions of China Zheshang Bank Co., Ltd. in 2021 《(關於浙商銀行股份有限公司2021年度日常關聯交易預計額度的議案)》 at the 2020 annual general meeting held on June 30, 2021, the actual implementation of which is as follows:

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2021	Contemplated Business/Transaction in 2021	As of December 31, 2021
1	Zhejiang Provincial Financial Holdings Co., Ltd. and its connected companies	RMB700 million RMB1.6 billion	Comprehensive credit business Wealth management products purchase business	Credit balance: RMB552 million Total purchases: RMB550 million
2	Guangsha Holding Group Co., Ltd. and its connected companies	RMB1.15 billion	Comprehensive credit business	Credit balance: RMB1.15 billion
3	Shaoxing City Keqiao District Stateowned Assets Investment and Operation Group Co., Ltd. and its connected companies	RMB6.5 billion	Comprehensive credit business	Credit balance: RMB1.155 billion
4	Orient Securities Co., Ltd.	RMB6.5 billion	Comprehensive credit business	Inactive
5	Connected natural persons	RMB730 million	Personal loans, credit card overdraft business, etc.	Credit balance: RMB187 million

Directors' Report

During the reporting period, at the twelfth meeting of the fifth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB5 billion to Zhejiang Energy Group Co., Ltd. and its connected parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2021-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the fifth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB5 billion to Hengdian Group Holdings Limited and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2021-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the fifth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Caitong Securities Co., Ltd. (《關於本行對財通證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB4 billion to Caitong Securities Co., Ltd. (財通證券股份有限公司). For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2021-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the seventh extraordinary meeting of the fifth session of the Board in 2021, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Hengyi Group (《關於本行對浙江恒逸集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB5 billion to Zhejiang Hengyi Group Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2021-024) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the third meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Zheyin Financial Leasing Co., Ltd. (《關於本行對浙江浙銀金融租賃股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB10 billion to Zhejiang Zheyin Financial Leasing Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2021-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, including our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us) which have constituted de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of related party transactions entered into by the Company during the year ended December 31, 2021 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

Saved as disclosed above, no related party transactions set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions" comply with the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Bank hasn't conducted connected transactions involving the acquisition and disposal of assets or equity.

Connected Transactions in relation to Joint External Investment

During the reporting period, the Company, Zhejiang Provincial Financial Holdings Co., Ltd. and Zhoushan Marine Comprehensive Development and Investment Co., Ltd. made capital contributions to Zheyin Leasing in proportion to their original shareholding, of which, the Company contributed RMB510 million. Upon the capital increase, the Company still holds 51% interests in Zheyin Leasing.

Connected Creditor's Rights and Liabilities

During the reporting period, the Bank hasn't had any non-operational connected creditor's rights and liabilities.

(XI) Transactions, Arrangements or Contractual Interest and Service Contracts of Directors and Supervisors

During the reporting period, the Directors or Supervisors or any entities connected with the Directors or Supervisors had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(XII) Interests Owned by the Directors, Chief Executive and Supervisors in the Company

As at December 31, 2021, 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 or 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 or 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 by the Company 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 (%)
Shen Renkang (沈仁康)	Chairman, Executive Director	A Share	Long position	Beneficial Owner	70,000	0.00042	0.00033
Zhang Rongsen (張榮森)	Executive Director, President	A Share	Long position	Beneficial Owner	738,000	0.0044	0.0035
Chen Haiqiang (陳海強)	Executive Director, Vice President, CRO	A Share	Long position	Beneficial Owner	257,000	0.0015	0.0012

Note: On January 11, 2022, Mr. Shen Renkang resigned as an executive Director, Chairman of the Board, committee chairman of Strategic Committee and Inclusive Finance Development Committee of the Company due to work arrangement.

(XIII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

(XIV) Directors' Interests in Businesses Competing with the Company

None of the Directors of the Company hold any interest in any business which, directly or indirectly, competes or may compete with businesses of the Company.

Directors' Report

(XV) Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of the end of the reporting period, none of the Directors and Supervisors had the rights to acquire shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

(XVI) Permitted Indemnity Provisions

The Company has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company. Such arrangements remained effective as at the end of the reporting period.

(XVII) Management Contracts

Save as the service contracts entered into with the Directors and employees, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XVIII) Reserves and Distributable Reserves

For details of the changes in the Group's reserves and distributable reserves, please see "Financial Report – Consolidated Statement of Changes in Equity".

(XIX) Fixed Assets (Properties and Equipments)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Notes to Financial Report – 20 Fixed Assets".

(XX) Employment of Accounting Firms and Sponsors

According to its resolutions passed at the 2020 general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2021 prepared in accordance with the China Accounting Standards and International Financial Reporting Standards, respectively. Chen Sijie (陳思傑) and Pan Sheng (潘盛) are the certified public accountants who signed the audit report on the Company's financial statements for 2021 prepared in accordance with the China Accounting Standards. Each of Chen Sijie and Pan Sheng has been serving as the signing certificated public accountant of the Company since 2020 and 2021, respectively.

The financial statements of the Company for 2021 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2021 were audited by KPMG Huazhen LLP, and the financial statements for 2021 prepared under International Financial Reporting Standards were audited by KPMG. The total audit fees amounted to approximately RMB5,700,000, among which the audit fees for internal control was approximately RMB850,000. The Company paid the total non-audit fees of approximately RMB1,750,000 to KPMG Huazhen LLP and KPMG for the current year. KPMG Huazhen LLP and KPMG confirmed that the provision of such non-audit services would not compromise their audit independence.

The Company engaged CITIC Securities Co., Ltd. as the sponsor institution of its A Share IPO, and the period of their continuous supervision over the Company will expire on December 31, 2021. The Company paid all the remuneration (including sponsorship and underwriting fees) to its sponsor institution in 2019.

(XXI) Use of Proceeds Raised

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2021, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(XXII) Debentures Issued

Please refer to "Changes in Shares and Information on Shareholders – Issue of Bonds" of this Report for details about the debentures issued by the Company.

(XXIII) Compliance with the Laws and Regulations

As of the end of the reporting period, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company in all major aspects.

(XXIV) Performance of Social Responsibilities

During the report period, China Zheshang Bank insisted on exploring the organic integration of its performance of social responsibility and sustainable commercial development, and actively made efforts on supporting the construction of common prosperity demonstration area, rural revitalization, achieving carbon peak and carbon neutrality, serving the real economy, caring for employees and epidemic prevention and control, so as to create value and take the initiative to undertake social responsibilities. China Zheshang Bank had been widely recognized by the society for its achievements, and been awarded the "50 Best Comprehensive Cases of Enterprises' Targeted Poverty Relief" by the Poverty Relief Office of The State Council, and the "Annual Outstanding Enterprise with Social Responsibility" by the Southern Weekend.

For relevant details, see the 2021 Corporate Social Responsibility Report of China Zheshang Bank published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

1. Environmental information

During the report period, according to the "14th Five-Year Plan" and the target of carbon peak and carbon neutrality, China Zheshang Bank further developed green finance, and made efforts on both business development and environmental protection. China Zheshang Bank did not violate any environmental regulation during the report period.

Directors' Report

In terms of green finance, China Zheshang Bank researched and formulated Carbon Peak and Carbon Neutrality Support Action Program of China Zheshang Bank (2021-2025), and Three-year Green Finance Development Improvement Program of China Zheshang Bank, established a “carbon peak and carbon neutrality support” leading team, a green finance leading team, a special work team, and an energy finance department, constantly improved the top-level organizational mechanism, optimized assessment and incentive mechanism and resource allocation, provided more credit resources to green development, provided green financial products and services such as carbon emission reduction loan and photovoltaic loan, diversified financing channels for green enterprises, and supported the development of green businesses such as clean energy, energy conservation and environmental protection, and carbon emission reduction technologies. As of the end of the report period, China Zheshang Bank had CNY104,244 million green loan balance, and provided CNY127,607 million load for environmental protection industry.

In terms of green operation, China Zheshang Bank continuously promoted the online, digital and intelligent transformation of services, achieved more than 99% replacement rate of online transactions, further popularized paperless and online office management applications, reduced resources and energy consumption in daily office processes. In 2021, 1,043,000 online electronic processes were operated, 38.51 tons of office paper was saved, and the resource saving rate was increased by 12.33% on year-on-year basis. China Zheshang Bank proposed its employees, customers, suppliers and other stakeholders to use a simple, moderate, green and low-carbon way of work and life, and actively carried out environmental public welfare activities such as forest planting, water purification, resource recycling.

2. Information on consolidation and expansion of poverty relief achievement and rural revitalization

China Zheshang Bank resolutely implemented the strategic decision on effective connection between consolidation and expansion of poverty relief achievement and rural revitalization of the CPC Central Committee and the State Council, continuously improved the financial service organization system, provided more financial resources to the poverty-stricken areas made effort to build a new poverty relief community and activate the development potential of rural industries.

First, intensive and meticulous cultivation in the “responsibility field” of industrial assistance: China Zheshang Bank continued to promote the financial service model for “bank + leading enterprise + cooperative + farmer” industrial chain, actively explore the innovation of financial products and services such as rural digital finance, small and micro cluster financing, agricultural low-pledge credit enhancement, and constantly improve the financing availability of small farmers and new agricultural operating entities, and support the development and growth of characteristic industries in poverty relief regions. As of the end of the report period, China Zheshang Bank had CNY172,454 million agricultural loan balances with increase of CNY1,306 million compared with the beginning of the year.

Second, completion of targeted assistance “demonstration site” according to local conditions: China Zheshang Bank continued to carry forward western and eastern cooperation and targeted assistance. As of the end of the report period, China Zheshang Bank totally provided about CNY36 million to support the construction of rural photovoltaic power generation, road hardening and other projects, carried out party construction and common construction activities and cared and sympathized for rural party members and farmers. 5 villages of Longyou County, Quzhou were helped to achieve more than CNY200 thousand annual operational incomes by “thousands of enterprises to help thousands of villages” special action.

Directors' Report

Third, attentively and kind-heartedly provision of education assistance “portfolio”: China Zheshang Bank focused on “each bank branch helping one school” targeted assistance to continuously improve the conditions of running schools for compulsory education in the poverty relief regions, and excluded the difficulty and anxiety in the healthy growth of rural students. As of the end of the report period, China Zheshang Bank had totally provided about CNY17 million to construct teaching buildings and playgrounds, implement nutritious food and “bright eyes” eye protection actions, and provide safety education and training in 21 rural schools and help 6,834 students.

Fourth, digital enabling and achievement of prosperity by assistance in consumption : China Zheshang Bank continued to promote the sale of distinctive agricultural products from 26 mountainous counties of Zhejiang and the poverty relief regions of China in e-bank shopping mall by special marketing activities, such as live commerce, cloud shopping festival, give priority to assistance in consumption during purchase of food materials for dining hall and the labor union’s distribution of welfare, promote the accurate connection between production and sale, and help the peasants in income increase and achievement of prosperity, and rural talents in employment and self-employment. As of the end of the report period, China Zheshang Bank had achieved CNY13.046 million sales of agricultural products by the e-bank shopping mall, and directly purchased CNY5,114,500 agricultural products from the assisted regions.

(XXV) Miscellaneous

- (1) As of the date of this report, the Company was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets of the Company.

Report of the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the duty performance of the Board of Directors and the senior management of the Company, financial activities, risk management, internal control and lawful operation pursuant to the Company Law of the People's Republic of China 《(中華人民共和國公司法)》, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

(I) Legal Operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law of the People's Republic of China 《(中華人民共和國公司法)》, the Commercial Banking Law of the People's Republic of China 《(中華人民共和國商業銀行法)》 and the Articles of Association of the Company. The directors, President and other Senior Management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of Financial Statements

The 2021 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by KPMG Huazhen LLP and KPMG, who had issued standard auditing reports without qualified opinion.

(III) Use of Proceeds

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2021, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(IV) Acquisition and Sale of Assets

No insider trading or behavior harming the interests of some Shareholders was found in the major acquisitions of the Company.

(V) Connected Transactions

The connected transactions of our Company were conducted in a fair and reasonable way and were in compliance with national laws and regulations and the Articles of Association of the Company, and the Board of Supervisors was not aware of any behaviors which were not conducted on an arm's length basis or were detrimental to the interests of the Company and Shareholders.

Report of the Board of Supervisors

(VI) Internal Control System

The Board of Supervisors had reviewed the “Internal Control Evaluation Report of China Zheshang Bank for 2021”, and concurred with the Board of Directors’ representations regarding the completeness, reasonableness, effectiveness and implementation of the internal control system of the Company.

(VII) Implementation of Resolutions Passed at Shareholders’ General Meetings

The Board of Supervisors had no objection to the reports or proposals submitted by the Board of Directors to the Shareholders’ general meeting in 2021. It supervised the implementation of resolutions passed at the Shareholders’ general meetings and was of the opinion that the Board of Directors had implemented the relevant resolutions earnestly.

Significant Events

(I) Material Litigations and Arbitrations

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company itself for the purpose of recovering non-performing loans. The above litigations/arbitrations also include those arising as a result of other disputes. For the relevant information on the case involving disputes of contracts between the Company and Shantou Yidong Real Estate Development Co., Ltd. (汕頭市宜東房地產開發有限公司), Shantou Huhui Intelligent Technology Co., Ltd. (汕頭市互匯智能科技有限公司), Yihua Enterprise (Group) Co., Ltd. (宜華企業(集團)有限公司), Shenzhen Guanlan Gelan Yuntian Hotel Investment Co., Ltd. (深圳市觀瀾格蘭雲天大酒店投資有限公司), Liu Shaoxi (劉紹喜), Wang Shaonong (王少農), Liu Shaosheng (劉紹生), Liu Zhuangqing (劉壯青) and Liu Shaoxiang (劉紹香), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《(浙商銀行股份有限公司關於訴訟事項的公告)》 (Number: 2021-015) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《(浙商銀行股份有限公司關於訴訟事項的公告)》 (Number: 2022-006) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn). For the relevant information on the case involving disputes of contracts between the Company and Henan State-owned Assets Holding & Operation Group Co., Ltd. (河南省國有資產控股運營集團有限公司) · Henan Dashu Property Co., Ltd. (河南大樹置業有限公司) and Henan Province National Security Housing Construction Investment Co., Ltd. (河南省國控保障房建設投資有限公司), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《(浙商銀行股份有限公司關於訴訟事項的公告)》 (Number: 2021-019) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《(浙商銀行股份有限公司關於訴訟事項的公告)》 (Number: 2021-063) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were totally 28 pending litigations/arbitrations (excluding cases involving enforcement opposition and the third parties) where the Company was a defendant, and the total value was RMB596,582,200. The Company expects that such pending litigations/arbitrations will not have a material adverse impact on the Company's business, financial position or operating results.

(II) Material Contracts and Their Performance

1. Significant Events Relating to Custody, Contracting and Leasing

During the reporting period, none of the material contracts signed by the Company involved holding in custody, contracting or leasing any assets of other companies or vice versa beyond the normal business scope of a bank.

2. Significant Guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the PBOC and the CBIRC, there were no other significant guarantees required to be disclosed.

(III) Misappropriation of Non-Operating Funds of the Company by Controlling Shareholders and Other Related Parties

During the reporting period, the Company did not have any non-operating misappropriation of the Company's funds by the controlling shareholders and other related parties, and KPMG Huazhen LLP (being an auditor of the Company) has issued a special review opinion for this purpose.

Significant Events

(IV) Significant Acquisitions, Sales or Disposals of Assets and Business Combination

During the reporting period, there were no significant acquisitions, sales or disposals of assets or business combination of the Company.

(V) Equity Incentive Plan

During the reporting period, the Company did not implement an equity incentive plan.

(VI) Employee Stock Ownership Plan

During the reporting period, the Company did not implement an employee stock ownership plan.

(VII) Disciplinary Actions Imposed on the Company or Its Directors, Supervisors, Senior Management and Shareholders Holding 5% or more Shares in the Company

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, Board of Supervisors, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

Significant Events

(VIII) Performance of the Undertakings

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Zhejiang Provincial Financial Holdings Co.,Ltd., Traveller Automobile Group Co., Ltd., Zhejiang Hengyi Group Co.,Ltd. and its related parties Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.,Hengdian Group Holdings Limited, Guangsha Holding Group Co., Ltd. and its related parties Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd., Tong Lian Capital Management Co., Ltd., Xizi Elevator Group Co, Ltd., Shanghai Xizi United Investment Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (杭州民生醫藥控股集團有限公司) (9,460,000 Domestic Shares), Zhuji Hongyi Electronic Science and Technology Co., Ltd. (諸暨宏億電子科技有限公司), Zhejiang Huasheng Logistics Co., Ltd.(浙江華升物流有限公司)	Within 36 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2022	Yes	Yes

(IX) Explanation of Changes in Accounting Policies and Accounting Estimates

During the reporting period, the Company did not change its accounting policies. In response to changes in the external economic environment, internal data and improvement of risk measurement technology, the Group optimized the ECL measurement model in 2021. This change in accounting estimates is applied prospectively and no retrospective adjustment is needed to make to the disclosed financial statements. This change in accounting estimates has no significant impact on the net profit, total assets and net assets of the Group for the current period. For details of the change in the accounting estimates of the Company during the reporting period, please refer to the relevant announcements made by the Company on the websites of the Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited and the Company.

Significant Events

(X) Review of Annual Results

KPMG Huazhen LLP and KPMG have audited the financial statements of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively, and issued standard unqualified auditing reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Company for the year ended December 31, 2021.

(XI) Annual General Meeting

For the convening of its 2021 annual general meeting of the Company, the Company will make further announcement.

(XII) Publishing the Annual Report

The English and Chinese version of the annual report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website.

The Chinese version of the annual report prepared by the Company in accordance with the China Accounting Standards and the Rules for the Preparation of Annual Reports will be available on the website of Shanghai Stock Exchange and the Company's website.

Independent Auditor's Report

To the Shareholders of China Zheshang Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Zheshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 at 31 December 2021, and of its consolidated financial performance and its consolidated cash flow statement for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

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.

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost	
Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortized cost.	
Key audit matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss ("ECL") model to calculate a loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost.</p> <p>The determination of the loss allowance is subject to the application of a number of key parameters and assumptions, including the identification of loss stages of significant increase in credit risk since initial recognition and credit-impaired, probability of default, loss given default, exposures at default and discount rate, forward-looking adjustments on economic indicators, economic scenarios and weightings, impact of the COVID-19 pandemic and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.</p> <p>The determination of the ECL model is heavily dependent on the macroeconomic environment and the Group's internal credit risk management strategy. The ECL of corporate loans and advances, financial investments measured at amortized cost in stage one and stage two and all personal loans and advances are derived from estimates including probability of default, loss given default, exposures at default and discount rate. The ECL of corporate loans and advances and financial investments measured at amortized cost in stage three are derived from estimates whereby taken into consideration cash flows expected to be received and discount rate.</p>	<p>Our audit procedures in relation to ECL allowance for loans and advances to customers and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key internal controls of financial reporting over the process and the measurement of ECL allowance for loans and advances to customers and financial investments measured at amortized cost. • involving KPMG information technology ("IT") specialists to assess the design, implementation and operating effectiveness of relevant IT systems for ECL allowance for loans and advances to customers and financial investments measured at amortized cost. • involving KPMG financial risk management specialists to assess the appropriateness of the ECL model and the parameters used, evaluate the key management judgments involved and management's impact assessment on financial statements upon changes.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost (continued)

Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortized cost.

Key audit matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for ECL at the end of the reporting period.</p> <p>We identified the measurement of allowance for ECL for loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortized cost list used by management with the general ledger to assess the completeness of the list. We also selecting items and comparing the information of individual loans and advances to customers and financial investments measured at amortized cost with the underlying agreements and other related documentation to assess the accuracy of the list. For historical economic indicators and other key parameters derived from external data, we selected items to inspect the accuracy of such data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, we involved KPMG IT specialists to assess the system logics and compilation of the overdue information of loans and advances to customers and financial investments measured at amortized cost. • for key parameters involving judgment, seeking evidence from external sources published by statistical institutions and comparing to the Group's internal records including historical loss experience, to evaluate the consistency of management's application of key assumptions and key parameters. We compared the economic and market factors used in the model with market information to assess whether they were aligned with economic development expectation.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost (continued)

Refer to accounting policies and accounting estimates in Note IV.6(6) Impairment of financial assets, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortized cost.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • evaluating the validity of management's assessment on whether the credit risk of the loans and advances to customers and financial investments measure at amortized cost has, or has not, increased significantly since initial recognition, whether the loan is credit-impaired and evaluate the loss allowance for expected credit losses for credit-impaired loans and advances to customers and financial investments by selecting items to perform credit assessments. We performed the credit assessments by checking the overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and collaterals' information about borrowers' businesses. • assessing the reasonableness of the disclosures in the financial statements in relation to the loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost with reference to prevailing accounting standards.

Independent Auditor’s Report

<i>Recognition of interests in and consolidation of structured entities</i>	
Refer to the accounting policies in Note IV.3 Consolidated Financial Statements, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VII.2 Involvement with Unconsolidated Structured Entities.	
Key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group’s assets and liabilities.</p> <p>The Group may acquire an ownership interest in, act as a sponsor to, a structured entity, through initiating or investing shares in a wealth management product, an asset management plan, a trust plan, or an asset-backed security. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power the Group is able to exercise over the activities of the entity, and its exposure to and ability to influence the Group’s own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key controls of financial reporting over the consolidation of structured entities; • selecting items of significant structured entities of key product type and performing the following procedures for selected items: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management’s judgment over whether the Group has the ability to exercise power over the structured entity. – inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management’s judgment as to exposure, or rights, to variable returns from the Group’s involvement in such an entity.

Independent Auditor's Report

Recognition of interests in and consolidation of structured entities (continued)

Refer to the accounting policies in Note IV.3 Consolidated Financial Statements, Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note VII.2 Involvement with Unconsolidated Structured Entities.

Key audit matter	How the matter was addressed in our audit
<p>We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<ul style="list-style-type: none"> - inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity. - assessing management's judgment over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to prevailing accounting standards.

Independent Auditor's Report

<i>Fair value of financial instruments</i>	
Refer to accounting policies in Note V Significant Accounting Judgments and Estimates and Change of Accounting Estimates and Note XV Fair Value of Financial Instrument.	
Key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.</p> <p>The Group has applied relevant models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment.</p> <p>We identified the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments. • evaluating the fair value of level 1 financial instruments, by comparing the fair values applied by the Group with publicly available market data. • evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent valuation. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments with reference to prevailing accounting standards.

Independent Auditor's Report

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	2021	2020
Interest income		92,757	86,224
Interest expense		(50,805)	(49,129)
NET INTEREST INCOME	VI.1	41,952	37,095
Fee and commission income		4,705	4,775
Fee and commission expense		(655)	(525)
NET FEE AND COMMISSION INCOME	VI.2	4,050	4,250
Net trading gains	VI.3	7,238	4,367
Net gains on financial investments	VI.4	773	1,552
Other operating income	VI.5	571	507
OPERATING INCOME		54,584	47,771
Operating expenses	VI.6	(14,772)	(13,242)
Expected credit losses	VI.7	(24,831)	(20,166)
PROFIT BEFORE TAXATION		14,981	14,363
Income tax expense	VI.10	(2,065)	(1,804)
PROFIT FOR THE YEAR		12,916	12,559
Attributable to:			
Shareholders of the Bank		12,648	12,309
Non-controlling interests		268	250

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	2021	2020
Other comprehensive income, net of tax	VI.39		
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets designated to be measured at fair value through other comprehensive income		14	41
Items that may be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		738	(1,077)
Expected credit losses of financial assets at fair value through other comprehensive income		98	298
Exchange difference from the translation of foreign operations		(554)	(1,269)
Other comprehensive income, net of tax		296	(2,007)
Total comprehensive income		13,212	10,552
Attributable to:			
Shareholders of the Bank		12,944	10,302
Non-controlling interests		268	250
Earnings per share attributable to the shareholders of the Bank (RMB yuan)	VI.11		
Basic		0.55	0.53
Diluted		0.55	0.53

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

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

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and balances with the central bank	VI.12	141,510	137,441
Precious metals		5,899	19,478
Deposits with banks and other financial institutions	VI.13	39,391	38,827
Placements with banks and other financial institutions	VI.14	12,762	5,637
Derivative financial assets	VI.15	14,264	23,434
Financial assets purchased under resale agreements	VI.16	22,352	57,067
Loans and advances to customers	VI.17	1,311,889	1,165,875
Financial investments	VI.18		
– Financial assets measured at fair value through profit or loss		179,197	129,269
– Financial assets measured at amortized cost		374,558	336,109
– Financial assets measured at fair value through other comprehensive income		98,067	63,007
Fixed assets	VI.20	14,665	13,474
Right-of-use assets	VI.21	4,670	4,826
Intangible assets	VI.22	486	294
Deferred tax assets	VI.23	18,077	14,620
Other assets	VI.24	48,936	38,867
TOTAL ASSETS		2,286,723	2,048,225
LIABILITIES			
Due to the central bank		50,990	84,768
Deposits from banks and other financial institutions	VI.26	236,976	148,273
Placements from banks and other financial institutions	VI.27	41,021	48,543
Financial liabilities at fair value through profit or loss	VI.28	12,512	9,231
Derivative financial liabilities	VI.15	13,162	23,478
Financial assets sold under repurchase agreements	VI.29	–	900
Customer deposits	VI.30	1,415,705	1,335,636
Employee benefits payable	VI.31	5,278	4,873
Taxes payable	VI.32	5,531	4,663
Provisions	VI.33	4,952	5,686
Debt securities issued	VI.34	318,908	236,682
Lease liabilities		2,926	2,981
Other liabilities	VI.35	11,879	9,968
TOTAL LIABILITIES		2,119,840	1,915,682

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

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

	Note	31 December 2021	31 December 2020
EQUITY			
Share capital	VI.36	21,269	21,269
Other equity instruments	VI.37	39,953	14,958
– Preference shares		14,958	14,958
– Perpetual bonds		24,995	–
Capital reserve	VI.38	32,018	32,018
Other comprehensive income	VI.39	557	261
Surplus reserve	VI.40	9,743	8,499
Statutory general reserve	VI.41	23,802	21,118
Retained earnings	VI.42	36,827	32,389
Total equity attributable to shareholders of the Bank		164,169	130,512
Non-controlling interests		2,714	2,031
TOTAL EQUITY		166,883	132,543
TOTAL LIABILITIES AND EQUITY		2,286,723	2,048,225

The consolidated financial statements were approved by the board of directors on 29 March 2022:

Zhang Rongsen
President

Liu Long
Principal in-charge of Finance

Jing Feng
Chief Finance Officer

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

Note	Attributable to shareholders of the Bank								Non-Controlling interests	Total Equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Subtotal		
Balance at 1 January 2021	21,269	14,958	32,018	261	8,499	21,118	32,389	130,512	2,031	132,543
Changes in equity for the year										
1. Total comprehensive income	-	-	-	296	-	-	12,648	12,944	268	13,212
2. Capital contribution from equity holders										
- Capital contribution from other equity instruments holders	VI.37	24,995	-	-	-	-	-	24,995	-	24,995
- Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	490	490
3. Appropriation of profits										
- Appropriation to surplus reserve	VI.40	-	-	-	1,244	-	(1,244)	-	-	-
- Appropriation to statutory general reserve	VI.41	-	-	-	-	2,684	(2,684)	-	-	-
- Distributions to ordinary shareholders	VI.42	-	-	-	-	-	(3,424)	(3,424)	(75)	(3,499)
- Distributions to preference shareholders	VI.42	-	-	-	-	-	(858)	(858)	-	(858)
Balance at 31 December 2021	21,269	39,953	32,018	557	9,743	23,802	36,827	164,169	2,714	166,883
Balance at 1 January 2020	21,269	14,958	32,018	2,268	7,294	19,454	28,985	126,246	1,781	128,027
Changes in equity for the year										
1. Total comprehensive income	-	-	-	(2,007)	-	-	12,309	10,302	250	10,552
2. Appropriation of profits										
- Appropriation to surplus reserve	VI.40	-	-	-	1,205	-	(1,205)	-	-	-
- Appropriation to statutory general reserve	VI.41	-	-	-	-	1,664	(1,664)	-	-	-
- Distributions to ordinary shareholders	VI.42	-	-	-	-	-	(5,104)	(5,104)	-	(5,104)
- Distributions to preference shareholders	VI.42	-	-	-	-	-	(932)	(932)	-	(932)
Balance at 31 December 2020	21,269	14,958	32,018	261	8,499	21,118	32,389	130,512	2,031	132,543

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

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

	2021	2020
Cash flows from operating activities:		
Profit before taxation	14,981	14,363
Adjustments for:		
– Expected credit losses	24,831	20,166
– Depreciation and amortization	1,679	1,560
– Interest income from financial investments	(16,863)	(16,055)
– Net investment income	(2,178)	(5,401)
– Net (gains)/losses from changes in fair value	(2,412)	1,882
– Net foreign exchange losses/(gains)	165	(20)
– Net losses on disposal of fixed assets	2	9
– Interest expense on debt securities issued	8,453	6,508
– Interest expense on lease liabilities	141	129
– Deferred tax expense	(3,736)	(2,543)
Net changes in operating assets and operating liabilities:		
Net decrease/(increase) in balances with the central bank	11,594	(16,335)
Net (increase)/decrease in deposits with banks and other financial institutions	(7,675)	1,623
Net increase in placements with banks and other financial institutions	(1,205)	(1,511)
Net (increase)/decrease in financial assets purchased under resale agreements	(1,132)	28,941
Net increase in loans and advances to customers	(157,336)	(175,782)
Net increase in financial assets held for trading	(37,915)	(9,113)
Net decrease in other operating assets	17,089	1,989
Net decrease in due to the central bank	(32,881)	(8,917)
Net increase in deposits from banks and other financial institutions	88,000	15,450
Net (decrease)/increase in placements from banks and other financial institutions	(7,612)	14,751
Net decrease in financial assets sold under repurchase agreements	(900)	(5,102)
Net increase in customer deposits	78,751	188,059
Net decrease in other operating liabilities	(4,309)	(80)
Net cash flows (used in)/generated from operating activities before tax	(30,468)	54,571
Income tax paid	(6,615)	(4,991)
Net cash (used in)/generated from operating activities	(37,083)	49,580

The notes on pages 167 to 297 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

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

	Note	2021	2020
Cash flows from investing activities:			
Dividends received		3	2
Proceeds from disposal of fixed assets		10	35
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(2,553)	(1,738)
Investment returns received		18,942	18,957
Proceeds from disposal of investments		2,210,859	2,600,356
Payment for acquisition of investments		(2,304,983)	(2,618,492)
Net cash used in investing activities		(77,722)	(880)
Cash flows from financing activities:			
Proceeds from issuance of shares		490	–
Proceeds from issuance of other equity instruments		24,995	–
Proceeds from issuance of debt securities	VI.43 (2)	496,321	273,452
Repayments of borrowings	VI.43 (2)	(413,502)	(243,698)
Repayment of interest on debt securities issued	VI.43 (2)	(9,046)	(5,822)
Payment for dividend distribution	VI.43 (2)	(4,313)	(5,780)
Payment for principal element of lease liabilities	VI.43 (2)	(566)	(544)
Payment for interest element of lease liabilities	VI.43 (2)	(141)	(129)
Net cash generated from financing activities		94,238	17,479
Effect of exchange rate changes on cash and cash equivalents		(729)	(1,002)
Net (decrease)/increase in cash and cash equivalents		(21,296)	65,177
Cash and cash equivalents at the beginning of the year	VI.43 (1)	112,121	46,944
Cash and cash equivalents at the end of the year	VI.43 (1)	90,825	112,121
Net cash flows from operating activities include:			
Interest received		75,440	69,312
Interest paid		(40,997)	(39,222)

The notes on pages 167 to 297 form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

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

I General Information

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the China Banking Regulatory Commission (“CBRC” which was renamed to China Banking and Insurance Regulatory Commission in 2018, hereinafter referred to as “CBIRC”) (Yin Jian Fu [2004] No. 91) and Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the CBIRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H).

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with stock code of 601916. At 31 December 2021, the Bank’s registered capital is RMB21,268,696,778.

At 31 December 2021, the Bank has established 288 branches in 21 provinces (or municipalities) and Hong Kong in China, including 71 branches (29 of them are tier-one branches), one branch-level specialized institution and 216 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 31 December 2021, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements. The Bank and its subsidiary, Zheyin Financial Leasing, are collectively referred to as “the Group”.

II Basis of Preparation

1 Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622).

2 Basis of Preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for precious metals held for trading, derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note V.

Notes to Consolidated Financial Statements

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

III New Standards or amendments and forthcoming requirements

1 Impact of Effective International Financial Reporting Standards

The Group has applied the following amendments to IFRSs issued by IASB to these consolidated financial statements from 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform Phase 2;
- Amendments to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021.

Major impacts of the adoption of the amended IFRSs (including the International Accounting Standards (IAS) and their amendments and the International Financial Reporting Interpretations Committee(IFRIC)) are discussed below:

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

The amendments propose recommendation for changes in financial assets and financial liabilities and amendments to hedging relationship.

The main risks to which the Group has been exposed as a result of IBOR reform are operational. They include, for example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Group established a cross-functional IBOR Committee to manage its transition to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which the IBOR-indexed contracts, such as loans advanced, loan commitments, liabilities and derivatives need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

For existing contracts indexed to an IBOR that mature after the cessation of the IBOR rate, the IBOR Committee has established policies to amend the contractual terms. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate.

The Group has been applying a policy to require that the IBOR-indexed corporate loan contracts are amended in bilateral negotiations with the counterparties. The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2021. The adoption has no material impact on the financial position and the financial result of the Group.

Notes to Consolidated Financial Statements

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

III New Standards or amendments and forthcoming requirements (continued)

1 Impact of Effective International Financial Reporting Standards (continued)

(b) Amendments to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021

The Group previously applied the practical expedient in IFRS 16 that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has applied the 2021 amendment retrospectively, with the cumulative effect of initial application recognised adjusted according to the amendment. The adoption has no material impact on the financial position and the financial result of the Group.

2 Impact of International Financial Reporting Standards Issued but not yet Effective

		Effective date
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Not determined

The above new and amendments to IFRSs have not been adopted in advance in these consolidated financial statements. The Group anticipates that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies

1 Accounting Year

The accounting year starts on January 1 and ends on December 31.

2 Functional Currency

The consolidated financial statements are presented in Renminbi (“RMB”), being the functional and presentation currency of the Bank’s operations in the Mainland China. Each entity operating outside the Mainland China determines its own functional currency and the financial statements of each entity are presented using that functional currency. Their financial statements have been translated in accordance with Note IV.5.

3 Consolidated Financial Statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests of a subsidiary are presented separately in the consolidated statement of financial position within equity, and net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated statement of profit or loss and other comprehensive income. When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest’s portion of the opening balance of equity holders’ equity of the subsidiary, the excess is allocated against the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting period and accounting policies in line with the Group’s accounting period and accounting policies. Intra-group assets, liabilities, equities, revenue, expense and cash flows arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

4 Determination of Cash and Cash Equivalents

Cash and cash equivalents comprise monetary assets that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserves with the central bank, deposits or placements with banks and other financial institutions and financial assets purchased under resale agreements with an original tenor of less than 3 months.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

5 Foreign Currency Transactions and Translation

Foreign currency transactions are initially recorded in RMB using the spot exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss, except for the differences arising from the re-translation of non-monetary items denominated in foreign currencies at fair value through other comprehensive income, which are recognized in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Shareholders' equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

6 Financial Instruments

Financial instruments of the Group include cash and balances with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets purchased under resale agreements, loans and advances to customers, financial investments measured at fair value through profit or loss, financial investments measured at amortized cost, financial investments measured at fair value through other comprehensive income, other receivables, finance lease receivables, due to the central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial liabilities measured at fair value through profit or loss, derivative financial liabilities, financial assets sold under repurchase agreements, customer deposits, debt securities issued, other payables, and share capital.

(1) Initial recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortized cost ("AC"), at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment conforms to the definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Classification of financial assets (continued)

In assessing whether the contractual cash flows on specific dates are solely payments of principal and interest based on principal unpaid, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition of contractual cash flows.

Subsequent measurement of financial assets

- Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value after initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method after initial recognition. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortization process in effective interest method or in order to recognize impairment gains or losses.

- Debt instruments measured at FVOCI

These assets are subsequently measured at fair value after initial recognition. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, measured at amortized cost and financial guarantees.

- Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including a derivative financial instrument) or it is designated as such on initial recognition.

A financial liability is classified as held for trading if: (i) it has been acquired principally for the purpose of repurchasing it in the near term; or (ii) 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 (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability may be designated as measured at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces accounting mismatches that would otherwise arise; or (ii) 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 to key management internally on that basis.

Financial liabilities measured at FVTPL (including derivative financial liability) are subsequently measured at fair value after initial recognition and net gains and losses (including any interest expense) are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities measured at amortized cost

A financial liability other than a financial liability measured at FVTPL, a financial liability not meeting the criteria for derecognition or arising from continuing involvement, credit commitments or financial guarantees are recognized at fair value and subsequently measured at amortized cost using the effective interest method after initial recognition.

(4) Offsetting financial instruments

Financial assets and financial liabilities are generally presented separately in the consolidated statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts; and
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(5) Derecognition of financial instruments

A financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer. For a debt instrument financial asset measured at FVOCI, the sum of the consideration received includes the cumulative gain or loss recognized in other comprehensive income.

Asset securitization

As part of its operational activities, the Group securitizes financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitization of financial assets does not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability; the Group neither retains nor transfers substantially all of the risks and rewards of ownership of the securitized financial assets, and it retains control over the transferred assets, the Group continues to recognize the transferred assets in the consolidated statement of financial position to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the securitized assets, and recognize the corresponding liabilities.

Sales of financial assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize 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 the case of the transferor selling such a financial asset), the Group will derecognize the financial asset.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on:

- Financial assets measured at amortized cost;
- Debt instruments measured at FVOCI;
- Lease receivables; and
- Credit commitments and financial guarantee contracts.

Other financial assets measured at fair value, including financial investments measured at FVTPL, equity investments designated as measured at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months) and are parts of lifetime ECLs.

The Group classifies financial instruments into three stages and makes provisions for ECLs in accordance with the accounting policies described in Note XIII.1 Credit Risk.

Presentation of allowance for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for financial instruments measured at amortized cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the ECL allowance is recognized in other comprehensive income. The Group recognizes ECL allowances for credit commitments and financial guarantee contracts through provisions (allowance for ECLs on credit commitments).

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(7) Write-off of financial assets

The carrying value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(8) Modification of contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset under the revised terms. If the modification does not result in substantial changes, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, comparing the risk of a default occurring under the revised terms at balance sheet date with that at the date of initial recognition under the original terms.

(9) Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions 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.

The consideration received from the issuance of equity instruments net of directly attributable transaction costs is recognized in equity.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

7 Preference Shares and Perpetual Bonds

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued that are classified as equity instruments are recognized in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed by the Group according to the contractual terms, the redemption price is charged to equity.

8 Precious Metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value at the balance sheet date recorded in profit or loss.

9 Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in a hybrid contract is an asset within the scope of IFRS 9 – Financial Instruments, the embedded derivative is not separated from the host contract of the financial asset, instead the hybrid financial instrument as a whole is classified under IFRS 9. If the host contract included in a hybrid contract is not an asset within the scope of IFRS 9, when their economic characteristics and risks of an embedded derivative is not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not measured at FVTPL, then such an embedded derivative is separated from the hybrid contract and accounted for as a derivative. The embedded derivative is measured at fair value with any changes in fair value recognized in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized directly in profit or loss.

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position. The corresponding proceed received, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets sold under purchase agreements”. The difference between the selling and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lending) (continued)

Conversely, assets purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets purchased under resale agreements”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest method.

Securities borrowing and lending transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading purposes and measured at fair value with any gains or losses included in profit or loss.

11 Investment in Subsidiaries

In the Bank’s statement of financial position, long-term equity investment in subsidiaries are accounted for using the cost method for subsequent measurement. Dividends declared by subsidiaries are recognized in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments. In the Bank’s statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (Note IV.15).

In the Group’s consolidated statement of financial position, subsidiaries are accounted for in accordance with policies described in Note IV.3.

12 Fixed assets and Construction in Progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives more than one year. Construction-in-progress represents properties and buildings under construction and are transferred to fixed assets when they are ready for their intended use.

Fixed assets are stated at cost less accumulated depreciation and impairment losses (Note IV.15) in the consolidated statement of financial position. Construction-in-progress is stated cost less impairment losses (Note IV.15) in the consolidated statement of financial position.

Costs of a purchased fixed asset comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed fixed asset comprise construction materials, direct labor costs, capitalized borrowing cost and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

12 Fixed assets and Construction in Progress (continued)

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. They are accounted for as separate items of fixed assets.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

The cost of a fixed asset, less its estimated net residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated residual value and depreciation rate are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Properties and buildings	10 – 30 years	5%	3.17% – 9.50%
Office and electronic equipment	3 – 5 years	5%	19.00% – 31.67%
Motor vehicles	5 years	5%	19.00%

Fixed assets in the operating leases are used for the Group's operating lease activities. The Group determines the depreciation period and depreciation method based on actual conditions. The depreciation is accrued on a straight-line basis based on the duration of the lease.

The estimated useful lives, estimated net residual value and depreciation method of fixed assets are reviewed at least at each year-end.

Gains or losses arising from the disposal or retirement of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

13 Intangible Assets

Intangible assets are stated in consolidated statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note IV.15). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment losses is amortized on a straight-line basis over its estimated useful life.

Useful lives and amortization methods of intangible assets with finite useful life are reviewed at least at each year-end. The amortization period of computer software is 10 years.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

14 Repossessed Assets

In the recovery of assets such as impaired loans and lease receivables, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. When it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment from the borrowers, repossessed assets except the equity instruments are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, litigation expenses advanced and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognized at the carrying value in the consolidated statement of financial position, net of allowance for impairment losses (Note IV.15).

15 Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress;
- right-of-use assets;
- intangible assets;
- investment in subsidiaries; and
- other assets (finance lease receivables excluded).

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note IV.16) less costs of disposal and its value in use.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), its present value of expected future cash flows (if measurable) and zero.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

16 Fair Value Measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

17 Employee Benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss.

(2) Post-employment benefits – defined contribution plans

The Group participates in defined contribution plans including basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organizations, all of which are defined contribution plans. The Group pays a fixed contribution into the defined contribution plans and has no obligation to make further contributions if the plans does not hold sufficient assets to pay all employee benefits.

Employees also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group contributes a certain percentage of the employees’ salaries to the Annuity Plan, which is charged to profit or loss when it is incurred.

18 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, a provision shall be determined by discounting the related future cash outflows.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

19 Credit Commitments and Financial Guarantee Contracts

The Group issues credit commitments and financial guarantee contracts, including acceptances, letters of credit, letters of guarantee and blockchain receivables confirmation.

A credit commitment is a commitment provided by the Group to customers to extend loans under agreed contractual terms within a certain period. Expected credit losses relating to credit commitments are provided for using the ECL model and included in provisions.

Financial guarantees are contracts that require 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 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 allowance for ECL 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 debtor or any other third party.

20 Fiduciary Activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group under fiduciary capacity 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 customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding to the Group, and the Group grants loans to third parties. The Group has been contracted by those customers to manage the administration and collection of these entrusted loans on their behalf. The Group receives fees in return for the services it provides. As the Group does not assume the risks and rewards of the entrusted loans, the entrusted loans are not recognized as the Group's assets or liabilities.

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

21 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(1) Interest income

For all financial instruments measured at amortized cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the carrying value of the financial asset, or the amortized cost of the financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or transaction costs that are attributable to the instrument and are a part of the effective interest rate, but not ECLs.

Interest income is calculated by applying the effective interest rate to the carrying value of financial assets and is included in “interest income”, except for:

- purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and
- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost.

The adjusted effective interest rate is the rate that discounts the estimated future cash flows of the purchased or originated credit-impaired financial asset through the asset’s expected life to its amortized cost. In determining the adjusted effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, renewal, call and similar options) and ECLs.

(2) Fee and commission income

The fee and commission income is recognized when its performance obligation in contracts is satisfied and when the customer obtains the control right of relevant services.

For the fee and commission income that the performance obligation is performed at a certain point in time, the Group recognizes income when the customer obtains the control right of relevant services. For the fee and commission income that the performance obligation is performed during a certain period of time, the Group recognizes income according to the progress of the performance during the period.

Notes to Consolidated Financial Statements

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

IV Principal Accounting Policies (continued)

21 Revenue (continued)

(3) Dividend income

Dividends income is recognized in profit or loss when the right to receive payment is established.

22 Government Grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss on a reasonable and systematic method over the useful life of the asset. A grant related to income that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses incurred is recognized in profit or loss immediately.

23 Income Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

23 Income Taxes (continued)

At the balance sheet date, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24 Leases

(1) The Group as the lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and the costs to restore the site. The right-of-use asset is depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of relevant assets where appropriate as incurred.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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IV Principal Accounting Policies (continued)

24 Leases (continued)

(1) The Group as the lessee (continued)

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as the lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

Under a finance lease, at the commencement date, the Group recognizes the finance lease receivable and derecognizes the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease. The Group calculates and recognizes interest income for each period of the lease term using a fixed periodic interest rate.

Under an operating lease, lease receipts are recognized as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss as they are earned.

25 Dividends

Dividends proposed in the profit appropriation plan which will be authorized and declared after the balance sheet date are not recognized as a liability at the balance sheet date but disclosed separately in the notes of subsequent events to the consolidated financial statements. Distributions to preference shareholders are recognized as liabilities in the period approved by the board of directors.

26 Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

27 Segment Reporting

Segment information are disclosed by reportable segments, which are identified based on operating segments determined based on the structure of the Group's internal organization, management requirements and internal reporting system.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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V Significant Accounting Judgements and Estimates and Change of Accounting Estimates

1 Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of financial statement line items. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the ECL Allowance

The measurement of the ECL allowance for financial assets measured at amortized cost, debt instruments measured at FVOCI, credit commitments and financial guarantees is an area that requires the use of complex models and significant assumptions about future economic conditions and borrower's credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting policies for measuring ECLs, such as:

- The segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECLs, choosing appropriate models and key inputs for the measurement of ECLs;
- Criteria for determining whether there was a significant increase in credit risk, or the credit was impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Discounted cash flows and discount rates applied to corporate loans and advances, and financial assets measured at amortized cost in stage 3.

For details about the measurement of ECLs, please refer to Note XIII.1(3).

(ii) Fair Value of Financial Instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Under such circumstance, management needs to make estimates on such unobservable market inputs, such as counterparty credit risk, market fluctuations and correlations. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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V Significant Accounting Judgements and Estimates and Change of Accounting Estimates (continued)

1 Significant Accounting Judgements and Estimates (continued)

(iii) Consolidation of Structured Entities

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager or has interests in so as to determine whether the Group has control over the structured entity. In assessing whether the Group is acting as agent or manager, the Group considers various factors such as the scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which the Group is entitled for the services it provides and the Group's exposure to variability of returns of other arrangements (including interests the Group directly holds) in the structured entities. The reassessment of control is made if facts and circumstances indicate changes in any of the factors.

(iv) Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are recognized accordingly. Deferred tax assets are recognized for temporary deductible differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. This requires significant estimation on the tax treatment of certain transactions and also significant assessment on the probability that sufficient taxable profits will be available for the deferred tax assets to be recovered.

(v) Classification of Financial Assets

The critical judgments the Group makes in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows. The Group determines the business model for managing financial assets at the level of financial asset portfolio. In the process of assessing the characteristics of contractual cash flows, the Group needs to make judgement on whether the contractual cash flow of financial assets is consistent with the basic lending arrangement.

(vi) Derecognition of Financial Assets

In the normal course of business, the Group transfers financial assets through various types of transactions including regular sales and transfers, securitization, and selling financial assets under repurchase agreements. The Group applies significant judgement in assessing whether the transfer complies with the conditions for derecognition. Where the Group enters into structured transactions by which it transfers financial asset to special purpose entities, the Group analyzes whether it controls these special purpose entities to determine whether the Group needs to consolidate these special purpose entities.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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V Significant Accounting Judgements and Estimates and Change of Accounting Estimates (continued)

2 Change of Accounting Estimates

In order to further harmonize the Group's ECL model with the external environment change and internal improvement of data management and risk quantification, the Group has optimized the ECL model in aspect of probability of default and loss given default, aiming to strengthen the distinction of credit risk and refine the ECL measurement. This change of accounting estimates uses modified prospective method, and impacted the Group's 2021 financial information by reducing the Group's ECLs by RMB275 million and increasing the Group's profit before taxation by RMB275 million.

VI Notes to Consolidated Financial Statements

1 Net Interest Income

	2021	2020
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	43,116	41,551
– Personal loans and advances	24,311	20,133
– Discounted bills	2,511	2,629
Financial investments		
– Financial assets measured at amortized cost (“AC”)	14,869	14,169
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	1,994	1,886
Balances with the central bank	1,968	2,000
Finance lease receivables	2,396	2,040
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	1,592	1,816
Total	92,757	86,224
Interest expense:		
Customer deposits		
– Corporate customers	(24,236)	(26,879)
– Personal customers	(9,650)	(8,407)
Debt securities issued	(8,453)	(6,508)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(6,725)	(4,625)
Due to the central bank	(1,600)	(2,581)
Lease liabilities	(141)	(129)
Total	(50,805)	(49,129)
Net interest income	41,952	37,095

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

2 Net Fee and Commission Income

	2021	2020
Fee and commission income:		
Agency and entrustment service	1,384	706
Commitment and guarantee service	1,088	726
Underwriting and consultation service	766	2,004
Settlement and clearing business	498	371
Custodian and fiduciary service	487	517
Fees from bank cards	263	277
Others	219	174
Total	4,705	4,775
Fee and commission expense	(655)	(525)
Net fee and commission income	4,050	4,250

3 Net Trading Gains

	2021	2020
Net gains arising from financial instruments measured at FVTPL	5,920	3,743
Exchange gains and losses and related derivatives	1,412	778
Precious metals and related derivatives	107	(80)
Other derivatives	(201)	(74)
Total	7,238	4,367

4 Net Gains on Financial Investments

	2021	2020
Net gains arising from financial investments measured at FVOCI	830	1,541
Net (losses)/gains arising from financial investments measured at AC	(119)	19
Dividend income from equity instruments designated to be measured at FVOCI	3	2
Other investment gains/(losses)	59	(10)
Total	773	1,552

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

5 Other Operating Income

	2021	2020
Government grants	206	156
Operating lease income	140	135
Other miscellaneous income	225	216
Total	571	507

6 Operating Expense

	2021	2020
Staff costs (i)	9,182	8,197
General and administrative expenses	2,866	2,568
Depreciation and amortization	1,679	1,560
Taxes and surcharges	853	620
Donations	17	34
Auditors' remuneration	6	5
Others (ii)	169	258
Total	14,772	13,242

(i) Staff costs	2021	2020
Salaries, bonuses and allowances	6,939	6,524
Other social insurance and benefit costs	817	631
Housing funds	374	334
Pension costs – defined contribution plans	896	559
Labor union fee and staff education fee	156	149
Total	9,182	8,197

(ii) During reporting period, the expense relating to short-term leases and leases of low-value assets are not significant.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

7 Expected Credit Losses (“ECL”s)

	Note	2021	2020
Deposits with banks and other financial institutions		(2)	295
Placements with banks and other financial institutions		74	119
Financial assets purchased under resale agreements		18	–
Loans and advances to customers			
– measured at AC		11,987	9,269
– measured at FVOCI		7	608
Financial investments			
– measured at AC		12,599	9,225
– measured at FVOCI		129	(161)
Finance lease receivables		510	583
Off-balance sheet items		(727)	150
Others		236	78
Total	VI.25	24,831	20,166

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments

(in RMB thousands)	2021					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Shen Renkang	-	466	66	842	243	1,617
Zhang Rongsen	-	1,117	78	675	241	2,111
Ma Hong	-	70	11	-	37	118
Chen Haiqiang	-	1,000	66	605	222	1,893
Xu Renyan	-	600	31	360	109	1,100
Non-Executive Directors						
Ren Zhixiang	-	-	-	-	-	-
Gao Qinhong	-	-	-	-	-	-
Hu Tiangao	-	-	-	-	-	-
Zhu Weiming	-	-	-	-	-	-
Wang Jian	-	-	-	-	-	-
Lou Ting	-	-	-	-	-	-
Independent Non-Executive Directors						
Tong Benli	300	-	-	-	-	300
Dai Deming	300	-	-	-	-	300
Liu Pak Wai	300	-	-	-	-	300
Zheng Jindu	300	-	-	-	-	300
Zhou Zhifang	300	-	-	-	-	300
Wang Guocai	300	-	-	-	-	300
Wang Wei	300	-	-	-	-	300
Supervisors						
Guo Dingfang	-	209	39	-	130	378
Yu Jianqiang	-	700	11	350	117	1,178
Pan Jianhua	-	-	-	-	-	-
Pan Huafeng	-	-	-	-	-	-
Chen Zhongwei	-	-	-	-	-	-
Wang Chengliang	-	-	-	-	-	-
Zheng Jianming	-	-	-	-	-	-
Wang Feng	-	-	-	-	-	-
Cheng Huifang	300	-	-	-	-	300
Zhang Fanquan	150	-	-	-	-	150
Song Qinghua	150	-	-	-	-	150
Chen Sanlian	150	-	-	-	-	150
Yuan Xiaoqiang	175	-	-	-	-	175
Wang Jun	175	-	-	-	-	175
Huang Zuhui	175	-	-	-	-	175
Total	3,375	4,162	302	2,832	1,099	11,770

Notes to Consolidated Financial Statements

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

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

(in RMB thousands)	2020					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Shen Renkang	–	466	55	826	215	1,562
Zhang Luyun	–	175	20	204	97	496
Xu Renyan	–	1,500	55	840	194	2,589
Non-Executive Directors						
Wang Jian	–	–	–	–	–	–
Ren Zhixiang	–	–	–	–	–	–
Gao Qinhong	–	–	–	–	–	–
Hu Tiangao	–	–	–	–	–	–
Zhu Weiming	–	–	–	–	–	–
Lou Ting	–	–	–	–	–	–
Independent Non-Executive Directors						
Tong Benli	300	–	–	–	–	300
Yuan Fang	275	–	–	–	–	275
Dai Deming	300	–	–	–	–	300
Liu Pak Wai	300	–	–	–	–	300
Zheng Jindu	300	–	–	–	–	300
Zhou Zhifang	300	–	–	–	–	300
Wang Guocai	300	–	–	–	–	300
Wang Wei	25	–	–	–	–	25
Supervisors						
Yu Jianqiang	–	1,500	1	675	224	2,400
Ge Meirong	–	–	–	–	–	–
Wang Chengliang	–	–	–	–	–	–
Zheng Jianming	–	–	–	–	–	–
Chen Zhongwei	–	–	–	–	–	–
Yuan Xiaoqiang	300	–	–	–	–	300
Wang Jun	300	–	–	–	–	300
Huang Zuhui	300	–	–	–	–	300
Cheng Huifang	300	–	–	–	–	300
Total	3,300	3,641	131	2,545	730	10,347

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

- (i) The total pre-tax remuneration of some directors and the supervisors of the Bank performing their duties is still in the process of confirmation, and the rest will be disclosed separately after confirmation.
- (ii) On 7 June 2021, Mr Xu Renyan resigned as an executive director and President of the bank; On 15 July 2021, due to the expiration of the term of the Fifth Board of Directors, Mr. Wang Jian and Ms. Lou Ting will no longer serve as the non-executive directors, and Mr. Tong Liben, Mr. Dai Deming and Mr. Liu Pak Wai will no longer serve as the independent non-executive directors. However, they will continue to perform their duties as required until the new independent directors obtain qualifications. On 16 July 2021, Mr. Yu Jianqiang, Mr. Wang Chengliang, Mr. Yuan Xiaoqiang, Mr. Wang Jun and Mr. Huang Zuhui will no longer serve as the supervisors of the company. On 9 September 2021, Mr. Wang Feng resigned as the employee supervisor. On 22 December 2021, Mr. Zheng Jianming resigned as the deputy chief supervisor and employee supervisor. (On 6 February 2020, Mr. Xia Yongchao resigned as a non-executive director. On 12 June 2020, Ms. Zhang Luyun resigned as an executive director. On 29 September 2020, Mr. Ge Meirong resigned as a shareholder supervisor. On 26 November 2020, Mr. Jiang Rong resigned as an employee supervisor. On 27 November 2020, Mr. Huang Zhiming and Mr. Wei Dongliang resigned as non-executive directors. On 30 November 2020, Mr. Yuan Fang resigned as an independent non-executive director).
- (iii) On 16 June 2021, Mr. Guo Dingfang, Mr. Zheng Jianming, Mr. Wang Feng, Mr. Chen Zhongwei and Mr. Pan Huafeng were elected as the employee supervisors of the sixth session of the Supervisory Committee. On 15 July 2021, Mr. Shen Renkang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang were elected as the executive directors. Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming and Mr. Zhuang Yuemin were elected as the shareholder directors. Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Guan Pinfang were elected as the independent directors. Mr. Pan Jianhua was elected as the shareholder supervisor. Ms. Cheng Huifang, Mr. Zhang Fanquan, Ms. Song Qinghua and Mr. Chen Sanlian were elected as the external supervisors.
- (iv) Employee supervisors of the Bank receive remuneration as staff, and receive no remuneration as supervisors.
- (v) Supervisors of the Bank receive only remuneration in respect of their services as supervisors. No emoluments were paid to or receivable by supervisors.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

9 Five Highest Paid Individuals

For the year ended 31 December 2021, the five highest paid individuals in the Group include neither director nor supervisor (2020: no director or supervisor). The five highest paid individuals for the year are as follows:

	2021	2020
Salaries and allowances and other benefits	2	4
Discretionary bonuses	36	40
Contribution to pension schemes	–	–
Total	38	44

The emoluments fell within the following bands:

	Number of Individuals	
	2021	2020
RMB7,000,001 – RMB7,500,000	2	–
RMB7,500,001 – RMB8,000,000	2	–
RMB8,000,001 – RMB8,500,000	1	2
RMB8,500,001 – RMB12,000,000	–	3

- (i) No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.
- (ii) During the year ended 31 December 2021, no non-cash benefits (share options, cars, insurance premium, club membership, etc.) were paid to the directors or supervisors (2020: Nil).
- (iii) During the year ended 31 December 2021, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2020: Nil).
- (iv) During the year ended 31 December 2021, no termination benefits were paid to the directors or supervisors by the Group (2020: Nil).
- (v) During the year ended 31 December 2021, no consideration was provided by the Group to former employers for making available directors' and supervisors' services (2020: Nil).
- (vi) During the year ended 31 December 2021, no loans, quasi-loans or other dealings were provided in favour of directors or their connected entities (2020: Nil).
- (vii) During the year ended 31 December 2021, no significant transactions, arrangements and contracts were in relation to the corporate in which a director of the Group had a material interest, whether directly or indirectly subsisted (2020: Nil).

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

10 Income Tax Expense

	Note	2021	2020
Current income tax expense		5,801	4,347
Deferred tax expense	VI.23	(3,736)	(2,543)
Total		2,065	1,804

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

	2021	2020
Profit before taxation	14,981	14,363
Tax calculated at a tax rate of 25%	3,745	3,591
Effects of non-taxable income (i)	(1,870)	(1,969)
Effects of non-deductible expenses (ii)	190	182
Income tax expense	2,065	1,804

(i) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.

(ii) The non-deductible expenses mainly include certain expenses, which are not deductible before taxation according to PRC tax regulations.

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

11 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of the conversion did not occur during the year ended 31 December 2021, and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2021	2020
Net profit attributable to ordinary shareholders of the Bank	12,648	12,309
Less: Net profit attributable to other equity instruments holders of the Bank	(858)	(932)
Consolidated net profit attributable to ordinary shareholders of the Bank (RMB million)	11,790	11,377
Weighted average number of ordinary shares (in millions of shares)	21,269	21,269
Basic and diluted earnings per share (RMB yuan/share)	0.55	0.53

12 Cash and Balances with the Central Bank

	Note	31 December 2021	31 December 2020
Cash		469	505
Balances with the central bank			
– Statutory deposit reserves	(1)	112,958	124,496
– Surplus deposit reserves	(2)	28,017	12,314
– Fiscal deposits		8	64
Subtotal		140,983	136,874
Interest accrued		58	62
Total		141,510	137,441

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VI Notes to Consolidated Financial Statements (continued)

12 Cash and Balances with the Central Bank (continued)

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"). At the balance sheet date, rates for mandatory reserves were as follows:

	31 December 2021	31 December 2020
Statutory reserve rate for deposits denominated in RMB	8.0%	9.0%
Statutory reserve rate for deposits denominated in foreign currencies	9.0%	5.0%

The statutory deposit reserve ratios of the subsidiary of the Bank complied with the requirements of the PBOC.

- (2) Surplus deposit reserves placed with the PBOC is mainly for settlement purpose.

13 Deposits with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2021	31 December 2020
In Mainland China		
– Banks	28,405	22,166
– Other financial institutions	2,462	7,189
Outside Mainland China		
– Banks	7,741	9,725
– Other financial institutions	694	56
Interest accrued	94	40
Total	39,396	39,176
Less: Allowance for ECLs (Note VI.25)	(5)	(349)
Carrying amount	39,391	38,827

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VI Notes to Consolidated Financial Statements (continued)

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2021	31 December 2020
In Mainland China		
– Banks	1,910	2,961
– Other financial institutions	4,069	2,000
Outside Mainland China		
– Banks	6,824	778
Interest accrued	10	49
Total	12,813	5,788
Less: Allowance for ECLs (Note VI.25)	(51)	(151)
Carrying amount	12,762	5,637

15 Derivative Financial Instruments

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal derivatives and credit derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

At 31 December 2021

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,594,985	7,546	(7,415)
Currency derivatives	672,610	6,318	(5,568)
Precious metal derivatives	35,032	393	(178)
Credit derivatives	766	7	(1)
Total	2,303,393	14,264	(13,162)

At 31 December 2020

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,478,582	6,754	(6,633)
Currency derivatives	625,199	16,414	(16,415)
Precious metal derivatives	23,595	264	(428)
Credit derivatives	261	2	(2)
Total	2,127,637	23,434	(23,478)

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VI Notes to Consolidated Financial Statements (continued)

16 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by type and location of counterparties

	31 December 2021	31 December 2020
In Mainland China		
– Banks	4,163	32,981
– Other financial institutions	18,204	24,083
Interest accrued	3	3
Total	22,370	57,067
Less: Allowance for ECLs (Note VI.25)	(18)	–
Carrying amount	22,352	57,067

(2) Analyzed by type of collateral

	31 December 2021	31 December 2020
Bills	938	5,225
Bonds		
– Financial bonds	15,154	25,685
– Government bonds	6,275	26,154
Interest accrued	3	3
Total	22,370	57,067
Less: Allowance for ECLs (Note VI.25)	(18)	–
Carrying amount	22,352	57,067

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers

	31 December 2021	31 December 2020
Loans and advances to customers measured at AC	1,062,484	965,235
Loans and advances to customers measured at FVOCI	249,405	200,640
Total	1,311,889	1,165,875

(1) Analyzed by classification and nature

	31 December 2021	31 December 2020
Loans and advances to customers measured at AC		
Corporate loans and advances		
– Corporate loans	693,302	649,296
– Trade finance	19,376	11,066
Corporate loans and advances	712,678	660,362
Personal loans and advances		
– Personal business loans	169,675	151,294
– Consumer loans	120,975	106,153
– Residential mortgage loans	90,844	75,661
Personal loans and advances	381,494	333,108
Loans and advances to customers measured at FVOCI		
Corporate loans and advances		
– Trade finance	170,312	127,704
– Discounted bills	78,855	73,088
Subtotal	1,343,339	1,194,262
Fair value changes	238	(152)
Interest accrued	3,662	3,588
Gross amount	1,347,239	1,197,698
Less: Allowance for ECLs (Note VI.25)	(35,350)	(31,823)
Carrying amount	1,311,889	1,165,875

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(2) Analyzed by type of collateral

	31 December 2021		31 December 2020	
	Amount	Proportion	Amount	Proportion
Unsecured loans	364,570	27.14%	297,201	24.89%
Guaranteed loans	199,474	14.85%	177,085	14.83%
Collateralized loans				
– Mortgage loans	599,867	44.65%	531,033	44.47%
– Pledged loans	100,573	7.49%	115,855	9.70%
Discounted bills	78,855	5.87%	73,088	6.11%
Subtotal	1,343,339	100.00%	1,194,262	100.00%
Fair value changes	238		(152)	
Interest accrued	3,662		3,588	
Gross amount	1,347,239		1,197,698	
Less: Allowance for ECLs (Note VI.25)	(35,350)		(31,823)	
Carrying amount	1,311,889		1,165,875	

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(3) Overdue loans and advances to customers analyzed by overdue period

	31 December 2021				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,728	2,367	383	12	5,490
Guaranteed loans	591	1,876	6,680	127	9,274
Collateralized loans					
– Mortgage loans	1,828	2,057	2,890	95	6,870
– Pledged loans	19	254	508	1	782
Total	5,166	6,554	10,461	235	22,416

	31 December 2020				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	892	1,608	123	24	2,647
Guaranteed loans	2,945	5,138	1,704	42	9,829
Collateralized loans					
– Mortgage loans	2,482	2,934	1,388	75	6,879
– Pledged loans	290	506	1,505	3	2,304
Total	6,609	10,186	4,720	144	21,659

The Group classifies loans and advances to customers with principal or interest overdue 1 day and above as overdue loans and advances to customers.

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at AC

	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	655,727	35,405	21,546	712,678
– Personal loans and advances	374,301	2,912	4,281	381,494
Interest accrued	3,530	132	–	3,662
Total	1,033,558	38,449	25,827	1,097,834
Less: Allowance for ECLs (Note VI.25)	(11,387)	(7,275)	(16,688)	(35,350)
Carrying amount	1,022,171	31,174	9,139	1,062,484
	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	625,960	18,083	16,319	660,362
– Personal loans and advances	328,750	1,369	2,989	333,108
Interest accrued	3,517	71	–	3,588
Total	958,227	19,523	19,308	997,058
Less: Allowance for ECLs (Note VI.25)	(16,381)	(4,136)	(11,306)	(31,823)
Carrying amount	941,846	15,387	8,002	965,235

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs (continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI

	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Trade finance	170,019	178	115	170,312
– Discounted bills	78,842	–	13	78,855
Fair value changes	238	–	–	238
Total	249,099	178	128	249,405
Allowance for ECLs (Note VI.25)	(680)	–	(57)	(737)
	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Trade finance	127,704	–	–	127,704
– Discounted bills	73,069	–	19	73,088
Fair value changes	(152)	–	–	(152)
Total	200,621	–	19	200,640
Allowance for ECLs (Note VI.25)	(726)	–	(10)	(736)

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) Movements of the allowance for ECLs of loans and advances to customers measured at AC

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	16,381	4,136	11,306	31,823
Transfer:				
– to Stage 1	7	(5)	(2)	–
– to Stage 2	(670)	673	(3)	–
– to Stage 3	(448)	(1,522)	1,970	–
(Reversal)/Charge (Note VI.7)	(3,880)	3,995	11,872	11,987
Write-off and transfer out	–	–	(9,234)	(9,234)
Recoveries of loans and advances previously written off	–	–	981	981
Other movements	(3)	(2)	(202)	(207)
Balance at 31 December 2021	11,387	7,275	16,688	35,350
	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2020	16,373	5,280	9,407	31,060
Transfer:				
– to Stage 1	103	(87)	(16)	–
– to Stage 2	(1,005)	1,050	(45)	–
– to Stage 3	(349)	(1,528)	1,877	–
Charge/(Reversal) (Note VI.7)	1,275	(575)	8,569	9,269
Write-off and transfer out	–	–	(9,084)	(9,084)
Recoveries of loans and advances previously written off	–	–	704	704
Other movements	(16)	(4)	(106)	(126)
Balance at 31 December 2020	16,381	4,136	11,306	31,823

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VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers (continued)

(b) Movements of the allowance for ECLs on loans and advances to customers measured at FVOCI

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	726	–	10	736
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	(1)	–	1	–
(Reversal)/Charge (Note VI.7)	(45)	–	52	7
Write-off	–	–	(6)	(6)
Balance at 31 December 2021	680	–	57	737

	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2020	135	–	43	178
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge (Note VI.7)	591	–	17	608
Write-off	–	–	(50)	(50)
Balance at 31 December 2020	726	–	10	736

18 Financial Investment

	Note	31 December 2021	31 December 2020
Financial investments measured at FVTPL	18.1	179,197	129,269
Financial investments measured at AC	18.2	374,558	336,109
Financial investments measured at FVOCI	18.3	98,067	63,007
Total		651,822	528,385

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL

	31 December 2021	31 December 2020
Fund investments	88,881	82,673
Bond and ABS investments		
– Financial bonds	7,408	10,686
– Government bonds	5,138	1,723
– Interbank certificates of deposit	3,905	–
– Asset-backed securities (“ABS”)	45,979	3,035
– Other bonds	20,388	27,616
Trust schemes and asset management plans	4,337	1,629
Equity investments	3,161	1,907
Total	179,197	129,269

Analyzed by listing location:

	31 December 2021	31 December 2020
Fund investments		
– Listed outside Hong Kong	88,881	82,673
Bond and ABS investments		
– Listed in Hong Kong	18,602	18,068
– Listed outside Hong Kong	64,216	24,992
Trust schemes and asset management plans		
– Unlisted	4,337	1,629
Equity investments		
– Listed outside Hong Kong	694	433
– Unlisted	2,467	1,474
Total	179,197	129,269

Bonds traded on the Mainland interbank bond market are included in the outside Hong Kong listed category.

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL (continued)

Analyzed by type of issuers:

	31 December 2021	31 December 2020
Mainland China issuers		
– Banking and other financial institutions	143,144	91,923
– Corporate entities	18,963	24,310
– Government	4,503	1,723
Issuers outside Mainland China		
– Banking and other financial institutions	3,134	4,572
– Corporate entities	8,818	6,741
– Government	635	–
Total	179,197	129,269

18.2 Financial investments measured at AC

	Note	31 December 2021	31 December 2020
Bond and ABS investments	(i)		
– Government bonds		129,579	117,777
– Financial bonds		84,117	70,325
– Debt financing plans		72,596	80,115
– Asset-backed securities (“ABS”)		1,342	–
– Other bonds		3,039	1,551
Trust schemes and asset management plans	(ii)	93,785	73,870
Interest accrued		6,775	6,002
Total		391,233	349,640
Less: Allowance for ECLs (Note VI.25)		(16,675)	(13,531)
Carrying amount		374,558	336,109

(i) At balance sheet date, part of bond investments measured at amortized cost are pledged for secured liabilities, please refer to Note XI 1.

(ii) Trust schemes and asset management plans, mainly invested in credit assets and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at AC (continued)

Analyzed by listing location:

	31 December 2021	31 December 2020
Bond and ABS investments		
– Listed in Hong Kong	586	–
– Listed outside Hong Kong	217,491	189,653
– Unlisted	72,596	80,115
Trust schemes and asset management plans		
– Unlisted	93,785	73,870
Interest accrued	6,775	6,002
Total	391,233	349,640

Analyzed by type of issuers:

	31 December 2021	31 December 2020
Mainland China issuers:		
– Government	129,597	117,777
– Banking and other financial institutions	83,530	70,526
– Corporate entities	170,835	155,335
Issuers outside Mainland China		
– Banking and other financial institutions	586	–
Interest accrued	6,685	6,002
Total	391,233	349,640

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows:

	31 December 2021			Total
	Stage1	Stage2	Stage3	
Debt investments	341,802	17,772	24,884	384,458
Interest accrued	6,670	105	–	6,775
Total	348,472	17,877	24,884	391,233
Less: Allowance for ECLs (Note VI.25)	(1,069)	(1,915)	(13,691)	(16,675)
Carrying amount	347,403	15,962	11,193	374,558

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at AC (continued)

	31 December 2020			Total
	Stage1	Stage2	Stage3	
Debt investments	324,183	6,977	12,478	343,638
Interest accrued	5,934	68	–	6,002
Total	330,117	7,045	12,478	349,640
Less: Allowance for ECLs (Note VI.25)	(2,623)	(1,878)	(9,030)	(13,531)
Carrying amount	327,494	5,167	3,448	336,109

Movement of allowance for ECLs of financial investments measured at AC

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	2,623	1,878	9,030	13,531
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	(97)	97	–	–
– to Stage 3	(19)	(1,231)	1,250	–
(Reversal)/charge (Note VI.7)	(1,438)	1,171	12,866	12,599
Write-off	–	–	(10,300)	(10,300)
Recoveries of financial investments previously written off	–	–	845	845
Balance at 31 December 2021	1,069	1,915	13,691	16,675
	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2020	2,200	2,718	8,248	13,166
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	(46)	46	–	–
– to Stage 3	(17)	(957)	974	–
Charge (Note VI.7)	486	71	8,668	9,225
Write-off	–	–	(9,085)	(9,085)
Recoveries of financial investments previously written off	–	–	225	225
Balance at 31 December 2020	2,623	1,878	9,030	13,531

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI

	Note	31 December 2021	31 December 2020
Bond and ABS investments	(i)		
– Government bonds		52,175	39,149
– Financial bonds		14,349	17,784
– Interbank certificates of deposit		652	776
– Asset-backed securities (“ABS”)		5,373	–
– Other bonds		20,696	2,853
Other debt instruments		2,522	467
Interest accrued		1,038	984
Subtotal		96,805	62,013
Financial investments designated to be measured at FVOCI			
Equity investments		1,262	994
Total		98,067	63,007

(i) At balance sheet date, part of bond investments in the financial assets measured at FVOCI are pledged for secured liabilities, please refer to Note XI 1.

Analyzed by listing location:

	31 December 2021	31 December 2020
Bond investment and other debt instruments		
– Listed in Hong Kong	23,659	1,513
– Listed outside Hong Kong	69,586	59,049
– Unlisted	2,522	467
Equity investments		
– Unlisted	1,262	994
Interest accrued	1,038	984
Total	98,067	63,007

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI (continued)

Analyzed by type of issuers:

	31 December 2021	31 December 2020
Mainland China issuers:		
– Government	47,169	38,259
– Banking and other financial institutions	10,496	11,049
– Corporate entities	18,339	995
Issuers outside Mainland China:		
– Government	5,006	890
– Banking and other financial institutions	6,509	7,513
– Corporate entities	8,248	2,323
Interest accrued	1,038	984
Subtotal	96,805	62,013
Equity investments	1,262	994
Total	98,067	63,007

Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2021, dividend income recognized on such equity investments amounted to RMB2.6 million (For the year ended 31 December 2020: RMB1.8 million).

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VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI (continued)

Movement of the allowance for ECLs of debt instruments measured at FVOCI

	2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2021	26	–	19	45
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge (Note VI.7)	120	–	9	129
Balance at 31 December 2021	146	–	28	174

	2020			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2020	198	–	8	206
Transfer:				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
(Reversal)/Charge (Note VI.7)	(172)	–	11	(161)
Balance at 31 December 2020	26	–	19	45

19 Investment in Subsidiaries

The Bank

	31 December 2021	31 December 2020
Zheyin Financial Leasing	2,040	1,530

For details of subsidiaries, please refer to Note VII. 1.

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VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets

	Note	31 December 2021	31 December 2020
Fixed assets	(1)	12,988	11,732
Construction in progress	(2)	1,677	1,742
Total		14,665	13,474

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets in the operating leases	Total
Cost					
At 1 January 2021	11,360	1,796	160	1,045	14,361
Additions	605	178	18	619	1,420
Transfers from construction in progress	703	–	–	–	703
Disposals	(4)	(51)	(14)	–	(69)
At 31 December 2021	12,664	1,923	164	1,664	16,415
Less: Accumulated depreciation					
At 1 January 2021	(1,349)	(1,040)	(116)	(124)	(2,629)
Charge	(485)	(266)	(21)	(70)	(842)
Disposals	–	32	12	–	44
At 31 December 2021	(1,834)	(1,274)	(125)	(194)	(3,427)
Carrying amount					
Balance at 31 December 2021	10,830	649	39	1,470	12,988
Balance at 1 January 2021	10,011	756	44	921	11,732

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VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(1) Fixed assets (continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2020	8,985	1,752	155	1,057	11,949
Additions	39	196	14	–	249
Transfers from construction in progress	2,360	–	–	–	2,360
Disposals	(24)	(152)	(9)	(12)	(197)
At 31 December 2020	11,360	1,796	160	1,045	14,361
Less: Accumulated depreciation					
At 1 January 2020	(975)	(916)	(101)	(65)	(2,057)
Charge	(377)	(269)	(22)	(61)	(729)
Disposals	3	145	7	2	157
At 31 December 2020	(1,349)	(1,040)	(116)	(124)	(2,629)
Carrying amount					
Balance at 31 December 2020	10,011	756	44	921	11,732
Balance at 1 January 2020	8,010	836	54	992	9,892

At 31 December 2021, there is no significant idle assets held by the Group. (31 December 2020: Nil)

At 31 December 2021, the Group's properties and buildings with a net value of RMB1,691 million (31 December 2020: RMB904 million) were still in progress of obtaining the legal titles.

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VI Notes to Consolidated Financial Statements

20 Fixed Assets (continued)

(2) Construction in progress

	Construction in progress
Balance at 1 January 2020	2,781
Additions	1,417
Transfers to fixed assets	(2,360)
Transfers to long-term prepaid expenses	(96)
Balance at 31 December 2020	1,742
Additions	733
Transfer to fixed assets	(703)
Transfer to long-term prepaid expenses	(95)
Balance at 31 December 2021	1,677

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VI Notes to Consolidated Financial Statements (continued)

21 Right-of-use Assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2020	1,950	3,794	28	5,772
Additions	–	492	16	508
Reductions	–	(116)	–	(116)
At 31 December 2020	1,950	4,170	44	6,164
Additions	–	579	8	587
Reductions	–	(91)	(3)	(94)
At 31 December 2021	1,950	4,658	49	6,657
Less: Accumulated depreciation				
At 1 January 2020	(125)	(562)	(4)	(691)
Charge	(49)	(617)	(6)	(672)
Reductions	–	25	–	25
At 31 December 2020	(174)	(1,154)	(10)	(1,338)
Charge	(49)	(609)	(8)	(666)
Reductions	–	16	1	17
At 31 December 2021	(223)	(1,747)	(17)	(1,987)
Carrying amount				
Balance at 31 December 2021	1,727	2,911	32	4,670
Balance at 1 January 2021	1,776	3,016	34	4,826

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

22 Intangible Assets

	Computer software
Cost	
At 1 January 2020	523
Additions	73
At 31 December 2020	596
Additions	244
At 31 December 2021	840
Less: Accumulated amortization	
At 1 January 2020	(255)
Charge	(47)
At 31 December 2020	(302)
Charge	(52)
At 31 December 2021	(354)
Carrying amount	
Balance at 31 December 2021	486
Balance at 1 January 2021	294

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

23 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	70,465	17,616	54,344	13,586
Employee benefits payable	3,629	907	3,414	853
Unrealized losses of financial investments measured at FVOCI	-	-	542	136
Unrealized losses of financial investments measured at FVTPL and precious metals	-	-	223	56
Others	866	217	627	156
Deferred tax assets before offsetting	74,960	18,740	59,150	14,787
Depreciation of fixed assets	(448)	(112)	(478)	(119)
Unrealized gains of financial investments measured at FVOCI	(458)	(114)	-	-
Unrealized gains of financial investments measured at FVTPL and precious metals	(1,160)	(290)	-	-
Unrealized gains of derivative financial instruments	(587)	(147)	(193)	(48)
Deferred tax liabilities before offsetting	(2,653)	(663)	(671)	(167)
Net amount after offsetting	72,307	18,077	58,479	14,620

(2) Changes in deferred tax

	31 December 2021	31 December 2020
Balance at the beginning of the year	14,620	11,831
Charge to profit or loss for the year	3,736	2,543
Charge to other comprehensive income	(279)	246
Balance at the end of the year	18,077	14,620

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

24 Other Assets

	Note	31 December 2021	31 December 2020
Finance lease receivables	(1)	38,802	30,387
Settlement and clearing accounts		2,084	1,966
Continuing involvement assets (Note VI.44 (1))		1,948	978
Repossessed assets		900	731
Interest receivable		853	476
Fee receivables		740	938
Long-term prepaid expenses		734	739
Guaranteed deposits		502	343
Deductible input Value Added Tax ("VAT")		276	588
Prepayment of land and building and deposit		273	683
Others		1,824	1,038
Total		48,936	38,867

(1) Finance lease receivables

	31 December 2021	31 December 2020
Finance lease receivables	2,488	1,203
Less: Unrecognized finance income	(272)	(194)
Balance of finance lease receivables	2,215	1,009
Finance leaseback receivables	37,485	30,151
Subtotal	39,701	31,160
Interest accrued	478	447
Less: Allowance for ECLs (Note VI.25)	(1,377)	(1,220)
Carrying amount	38,802	30,387

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

The undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows:

	31 December 2021		31 December 2020	
	Amount	Proportion	Amount	Proportion
Within 1 year	1,116	44.86%	412	34.25%
1 – 2 years	620	24.92%	276	22.95%
2 – 3 years	471	18.93%	187	15.54%
3 – 4 years	142	5.71%	145	12.05%
4 – 5 years	64	2.57%	70	5.82%
Above 5 years	75	3.01%	113	9.39%
Total	2,488	100.00%	1,203	100.00%

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

25 Allowance for ECLs

	Note	1 January 2021	(Reverse)/ Charge for the year	Write-off and transfer out for the year	Others (i)	31 December 2021
Deposits with banks and other financial institutions	VI.13	349	(2)	(342)	-	5
Placements with banks and other financial institutions	VI.14	151	74	(174)	-	51
Financial assets purchased under resale agreements	VI.16	-	18	-	-	18
Loans and advances to customers	VI.17					
– measured at AC		31,823	11,987	(9,234)	774	35,350
– measured at FVOCI		736	7	(6)	-	737
Financial investment	VI.18					
– measured at AC		13,531	12,599	(10,300)	845	16,675
– measured at FVOCI		45	129	-	-	174
Finance lease receivables	VI.24(1)	1,220	510	(354)	1	1,377
Other assets		95	236	(105)	6	232
Off-balance sheet items	VI.33	5,686	(727)	-	(7)	4,952
Total		53,636	24,831	(20,515)	1,619	59,571

	Note	1 January 2020	Charge/ (Reverse) for the year	Write-off and transfer out for the year	Others (i)	31 December 2020
Deposits with banks and other financial institutions	VI.13	54	295	-	-	349
Placements with banks and other financial institutions	VI.14	32	119	-	-	151
Loans and advances to customers	VI.17					
– measured at AC		31,060	9,269	(9,084)	578	31,823
– measured at FVOCI		178	608	(50)	-	736
Financial investment	VI.18					
– measured at AC		13,166	9,225	(9,085)	225	13,531
– measured at FVOCI		206	(161)	-	-	45
Finance lease receivables	VI.24(1)	794	583	(157)	-	1,220
Other assets		74	78	(69)	12	95
Off-balance sheet items	VI.33	5,544	150	-	(8)	5,686
Total		51,108	20,166	(18,445)	807	53,636

(i) Others include the recoveries of financial assets previously written off and effect of changes in exchange rates.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

26 Deposits from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2021	31 December 2020
In Mainland China		
– Banks	106,516	79,878
– Other financial institutions	126,531	66,119
Outside Mainland China		
– Other financial institutions	2,022	1,072
Interest accrued	1,907	1,204
Total	236,976	148,273

27 Placements from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2021	31 December 2020
In Mainland China		
– Banks	32,858	43,640
– Other financial institutions	3,517	220
Outside Mainland China		
– Banks	4,358	4,485
Interest accrued	288	198
Total	41,021	48,543

28 Financial liabilities at Fair Value through Profit or Loss

	31 December 2021	31 December 2020
Financial liabilities related to precious metals (i)	12,114	9,231
Short positions of trading bonds	398	–
Total	12,512	9,231

- (i) According to the risk management strategy, the Group matches the financial liabilities related to precious metals with precious metals or derivatives, and therefore recognized them as financial liabilities measured at fair value through profit and loss.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

29 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	31 December 2021	31 December 2020
Bonds sold under repurchase agreements	–	900
Interest accrued	–	–
Total	–	900

30 Customer Deposits

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	566,580	417,686
– Personal customers	68,625	45,164
Subtotal	635,205	462,850
Time deposits		
– Corporate customers	644,897	647,265
– Personal customers	116,827	207,880
Subtotal	761,724	855,145
Other deposits	1,758	1,941
Interest accrued	17,018	15,700
Total	1,415,705	1,335,636

Pledged deposits are listed as follows:

	31 December 2021	31 December 2020
Bank acceptances deposits	12,208	9,508
Letters of credit and guarantee deposits	12,123	13,343
Other pledged deposits	93,683	105,173
Total	118,014	128,024

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VI Notes to Consolidated Financial Statements (continued)

31 Employee Benefits Payable

	1 January 2021	Accrual during the year	Payments during the year	31 December 2021
Salaries, bonuses and allowances	4,789	6,939	(6,548)	5,180
Staff welfare	-	541	(541)	-
Housing fund	-	374	(374)	-
Social insurance				
- Medical insurance	-	211	(211)	-
- Work-related injury insurance	-	5	(5)	-
- Maternity insurance	-	8	(8)	-
Commercial insurance	-	52	(52)	-
Labour union fee and staff education fee	84	156	(142)	98
Post employment benefits	-	390	(390)	-
Unemployment insurance	-	14	(14)	-
Annuity	-	492	(492)	-
Total	4,873	9,182	(8,777)	5,278

	1 January 2020	Accrual during the year	Payments during the year	31 December 2020
Salaries, bonuses and allowances	4,355	6,524	(6,090)	4,789
Staff welfare	-	413	(413)	-
Housing fund	-	334	(334)	-
Social insurance				
- Medical insurance	-	156	(156)	-
- Work-related injury insurance	-	1	(1)	-
- Maternity insurance	-	8	(8)	-
Commercial insurance	-	53	(53)	-
Labour union fee and staff education fee	84	149	(149)	84
Post employment benefits	-	66	(66)	-
Unemployment insurance	-	2	(2)	-
Annuity	-	491	(491)	-
Total	4,439	8,197	(7,763)	4,873

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VI Notes to Consolidated Financial Statements (continued)

32 Taxes Payable

	31 December 2021	31 December 2020
Income tax payable	3,293	4,103
Value added tax (“VAT”) payable	1,813	332
Others	425	228
Total	5,531	4,663

33 Provisions

	31 December 2021	31 December 2020
Allowance for ECLs for off-balance sheet items (Note VI.25)	4,952	5,686

34 Debt Securities Issued

	Note	31 December 2021	31 December 2020
Fixed-rate financial bonds – 2021	(1)	–	10,000
Fixed-rate financial bonds – 2021	(2)	–	20,000
Fixed-rate financial bonds – 2024	(3)	1,500	–
Fixed-rate offering – tier 2 capital bond – 2026	(4)	–	10,000
Fixed-rate offering – tier 2 capital bond – 2028	(5)	15,000	15,000
Fixed-rate green financial bonds – 2022	(6)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2023	(7)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2023	(8)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2024	(9)	10,000	–
Fixed-rate USD medium term note – 2024	(10)	3,183	–
Certificates of deposit	(11)	3,001	392
Interbank certificates of deposit	(12)	255,190	149,675
Subtotal		317,874	235,067
Interest accrued		1,034	1,615
Total		318,908	236,682

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VI Notes to Consolidated Financial Statements (continued)

34 Debt Securities Issued (continued)

- (1) Fixed-rate financial bond of RMB10 billion was issued on 24 February 2016, with a maturity of 5 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has no option to redeem the bond before maturity. The bond matured on 25 February 2021.
- (2) Fixed-rate financial bond of RMB20 billion was issued on 27 August 2018, with a maturity of 3 years and a fixed coupon rate of 4.39% per annum payable annually. The Bank has no option to redeem the bond before maturity. The bond matured on 29 August 2021.
- (3) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 22 July 2021, with a maturity of 3 years and a fixed coupon rate of 3.48%.
- (4) Fixed-rate offering – tier 2 capital bond of RMB10 billion was issued on 14 September 2016, with a maturity of 10 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has an option to redeem the bond at the end of year 2021. The Bank has chosen to redeem all the bonds on 22 September 2021.
- (5) Fixed-rate offering – tier 2 capital bond of RMB15 billion was issued on 13 June 2018, with a maturity of 10 years and a fixed coupon rate of 4.80% per annum payable annually. The Bank has an option to redeem the bond at its par value at the end of year 2023.
- (6) Fixed-rate green financial bond of RMB5 billion was issued on 16 September 2019, with a maturity of 3 years and a fixed coupon rate of 3.42%. The Bank has no option to redeem the bond before maturity.
- (7) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 3 March 2020, with a maturity of 3 years and a fixed coupon rate of 2.95%. The Bank has no option to redeem the bond before maturity.
- (8) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 8 April 2020, with a maturity of 3 years and a fixed coupon rate of 2.50%. The Bank has no option to redeem the bond before maturity.
- (9) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 September 2021, with a maturity of 3 years and a fixed coupon rate of 3.00%. The Bank has no option to redeem the bond before maturity.
- (10) Fixed-rate USD medium term note of USD0.5 billion (total value amounted RMB3.18 billion) was issued by the Hong Kong Branch on 16 March 2021. This note will mature in 2024 with a fixed coupon rate of 1.10%.

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VI Notes to Consolidated Financial Statements (continued)

34 Debt Securities Issued (continued)

(11) There were 6 unpaid certificates of deposit at Hong Kong Branch at 31 December 2021, which has total face value amounted RMB3,001 million with maturity less than one year. Five of the certificates issued in US dollar have total face value amounted RMB2,801 million. One of the certificate of deposit was issued in offshore RMB and have total face value amounted RMB200 million. (There was one unpaid certificate of deposit at Hong Kong Branch at 31 December 2020, which has a face value amounted RMB392 million. The certificate of deposit was issued in US dollar with maturity less than one year.)

(12) At 31 December 2021, the Bank has issued a total of 150 interbank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of one year. (At 31 December 2020, the Bank has issued a total of 86 inter-bank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of one year.)

35 Other Liabilities

	31 December 2021	31 December 2020
Deposits related to finance lease	3,170	2,285
Settlement and clearing accounts	2,894	3,506
Continuing involvement liabilities (Note VI.44 (1))	1,948	978
Bills payable	1,824	1,050
Deferred income	654	582
Dividends payable	305	261
Others	1,084	1,306
Total	11,879	9,968

36 Share Capital

	31 December 2021	31 December 2020
Ordinary shares listed in Mainland China (A share)	16,715	16,715
Ordinary shares listed in Hong Kong (H share)	4,554	4,554
Total	21,269	21,269

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments

	Note	31 December 2021	31 December 2020
Preference shares	(1)	14,958	14,958
Perpetual bonds	(2)	24,995	–
Total		39,953	14,958

(1) Preference shares

(i) List of preference shares issued at the end of the year

Equity instruments in issue	Preference shares
Issue date	29 March 2017
Accounting treatment	Equity instrument
Dividend rate	5.45%
Original issuance price per share (USD/share)	20
Number (In millions)	108.75
In original currency (USD in millions)	2,175
In RMB (RMB in millions)	14,989
Issuance fee (RMB in millions)	31
Maturity date	No maturity date
Conversion condition	Mandatory
Conversion status	No conversion during the year

(ii) Main terms of preference shares

The dividend for offshore preference shares is non-cumulative. The offshore preference shares dividend will be calculated on following dividend yields:

- from the issuance date (including the issuance date) to the first reset date (excluding the reset date), at the rate of 5.45% per annum; and
- thereafter, for the period from the first reset date and the period from each reset date (including the former reset date) to the next coming reset date (excluding the latter reset date), at the relevant reset dividend rate.

On the premise of ensuring that the Bank's capital adequacy ratio meets regulatory requirements, the Bank has a distributable after-tax profit after making up previous years' losses, contributing to the statutory surplus reserve and statutory general reserve, and the Bank's board of directors has announced the distribution in accordance with the Bank's articles of association. In the case of the dividend resolution, the Bank may distribute such dividends to shareholders of overseas preference shares.

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(1) Preference shares (continued)

(ii) Main terms of preference shares (continued)

Subject to a resolution to be passed at the shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in total or in partial) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness which are due.

Under the circumstances where the Bank cancels a dividend in total or in partial, in accordance with the shareholders' resolution and the conditions, the Bank would not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any ordinary shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the offshore preference shares.

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders):

- Cancel any dividend in respect of the relevant loss absorption amount that is accrued but unpaid up to and including the conversion date; and
- On the conversion date, all or some of the offshore preference shares shall be irrevocably and compulsorily converted into H shares with equal number. The converted H shares number is equal to the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.7544) divided by the effective conversion price, rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H shares. Any fractional share less than one H share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The "trigger event" refers to an additional tier 1 capital instrument trigger event or a non-viability trigger event, as the case may be. The "additional tier 1 capital instrument trigger event" refers to the occasion where the Bank's core tier 1 capital adequacy ratio of the Bank has fallen to 5.125% or below. The "non-viability trigger event" is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

Upon the winding-up of the Bank, the offshore preference shareholders shall rank: (1) junior to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; (2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and (3) in priority to the ordinary shareholders.

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(1) Preference shares (continued)

(ii) Main terms of preference shares (continued)

On such winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the conditions have been made, be applied to the claims of the shareholders so that the claims of the offshore preference shareholders shall be pari passu with the claims of holders of any parity obligations and in priority to the claims of the ordinary shareholders.

The Bank may, subject to obtaining the CBIRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem all or some of the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from the immediately preceding dividend payment date (inclusive) to the date scheduled for redemption (exclusive).

(iii) Changes in preference shares outstanding

There was no change in preference shares outstanding during this year.

Please refer to Note VI.42 for details of dividends paid by the Bank to preference shareholders.

(2) Perpetual bonds

(i) List of perpetual bonds issued at the end of the year

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250.00
Amount (RMB in millions)	25,000
Issuance fee (RMB in millions)	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

(ii) Main terms of perpetual bonds

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Perpetual bonds (continued)

(ii) Main terms of perpetual bonds (continued)

The Bank shall exercise the right of redemption subject to the approval of the CBIRC and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the CBIRC.

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-one capital instruments of the Bank that rank pari passu with the bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on www.ChinaBond.com.cn (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Perpetual bonds (continued)

(ii) Main terms of perpetual bonds (continued)

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part or interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

(iii) Changes in perpetual bonds outstanding

The perpetual bonds outstanding as at the end of the year is RMB24,995 Million.

(3) Information related to the holders of the equity instruments

	31 December 2021	31 December 2020
Equity attributable to:		
– Ordinary shareholders of the Bank	124,216	115,554
– Other equity instruments holders of the Bank	39,953	14,958
Non-controlling interest		
– Ordinary shareholders of non-controlling interest	2,714	2,031

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(4) Changes in other equity instruments outstanding at the end of the year

	31 December 2020	Increase	Decrease	31 December 2021
Preference shares				
Number of shares (In millions)	108.75	–	–	108.75
In original currency (USD in millions)	2,175	–	–	2,175
Total in RMB (RMB in millions)	14,958	–	–	14,958
Perpetual Bond				
Number of shares (In millions)	–	250.00	–	250.00
Amount (RMB in millions)	–	24,995	–	24,995

38 Capital Reserve

	1 January 2021	Increase	Decrease	31 December 2021
Share premium	32,018	–	–	32,018

	1 January 2020	Increase	Decrease	31 December 2020
Share premium	32,018	–	–	32,018

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

39 Other Comprehensive Income

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for the year ended 31 December 2021			
	Net-of-tax amount attributable to		31 December 2021	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to
	1 January 2021	shareholders of the Bank					
Items that will not be reclassified to profit or loss							
- Changes in fair value of financial investments designated to be measured at FVOCI	165	14	179	18	-	(4)	14
Items that may be reclassified to profit or loss							
- Changes in fair value of financial assets measured at FVOCI	(572)	738	166	151	830	(243)	738
- Allowance for ECLs for financial assets measured at FVOCI	586	98	684	130	-	(32)	98
- Exchange differences from translation of foreign operations	82	(554)	(472)	(554)	-	-	(554)
Total	261	296	557	(255)	830	(279)	296

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

39 Other Comprehensive Income (continued)

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for the year ended 31 December 2020			
	1 January 2020	Net-of-tax amount attributable to shareholders of the Bank	31 December 2020	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
Items that will not be reclassified to profit or loss							
- Changes in fair value of financial investments designated to be measured at FVOCI	124	41	165	54	-	(13)	41
Items that may be reclassified to profit or loss							
- Changes in fair value of financial assets measured at FVOCI	505	(1,077)	(572)	106	(1,541)	358	(1,077)
- Allowance for ECLs for financial assets measured at FVOCI	288	298	586	397	-	(99)	298
- Exchange differences from translation of foreign operations	1,351	(1,269)	82	(1,269)	-	-	(1,269)
Total	2,268	(2,007)	261	(712)	(1,541)	246	(2,007)

40 Surplus Reserve

	Surplus reserve
Balance at 1 January 2020	7,294
Appropriation (Note VI.42)	1,205
Balance at 31 December 2020	8,499
Appropriation (Note VI.42)	1,244
Balance at 31 December 2021	9,743

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

41 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2020	19,454
Appropriation (Note VI.42)	1,664
Balance at 31 December 2020	21,118
Appropriation (Note VI.42)	2,684
Balance at 31 December 2021	23,802

Pursuant to the *Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

42 Dividends

	Note	2021	2020
Balance at the beginning of the year		32,389	28,985
Net profit attributable to shareholders of the Bank		12,648	12,309
Appropriation to surplus reserve		(1,244)	(1,205)
Appropriation to statutory general reserve		(2,684)	(1,664)
Distribution to ordinary shareholders	(a)	(3,424)	(5,104)
Distribution to offshore preference shareholders	(b)	(858)	(932)
Balance at the end of the year		36,827	32,389

(a) **Approved and distributed dividends of ordinary shareholders**

As approved by shareholders in 2020 Annual General Meeting on 30 June 2021, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.61 for each 10 ordinary shares, with total amount of RMB3,424 million.

As approved by shareholders in 2019 Annual General Meeting on 16 June 2020, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.4 for each 10 ordinary shares, with total amount of RMB5,104 million.

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

42 Dividends (continued)

(b) Approved and distributed dividends of offshore preference shareholders

On 5 January 2021, the board of directors approved to distribute dividends with a total amount of USD132 million (tax inclusive) to offshore preference shareholders. It is calculated at a dividend rate of 5.45% (after tax), equivalent to RMB858 million. The dividend issuance date was 29 March 2021.

On 11 March 2020, the board of directors approved to distribute dividends with a total amount of USD132 million (tax inclusive) to offshore preference shareholders. It is calculated at a dividend rate of 5.45% (after tax), equivalent to RMB932 million. The dividend issuance date was 30 March 2020.

43 Notes to Cash Flow Statements

(1) Cash and cash equivalents

For the purposes of the consolidated statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	31 December 2021	31 December 2020
Cash	469	505
Surplus deposit reserves with the central bank	28,017	12,314
Deposits with banks and other financial institutions with original maturities of less than three months	31,624	38,791
Placements with banks and other financial institutions with original maturities of less than three months	9,480	3,447
Financial assets purchased under resale agreements with original maturities of less than three months	21,235	57,064
Total	90,825	112,121

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

43 Notes to Cash Flow Statements (continued)

(2) 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, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Dividend Payable	Lease liabilities	Total
At 1 January 2021	236,682	261	2,981	239,924
Cash changes:				
Proceeds from issuance of debt securities	496,321	–	–	496,321
Repayments of borrowings	(413,502)	–	–	(413,502)
Repayment of interest on debt securities issued	(9,046)	–	–	(9,046)
Payment for dividend distribution	–	(4,313)	–	(4,313)
Payment for principal element of lease liabilities	–	–	(566)	(566)
Payment for interest element of lease liabilities	–	–	(141)	(141)
Non-cash changes:				
Interest expense (Note VI.1)	8,453	–	141	8,594
Dividends payable	–	4,357	–	4,357
Additions of lease liabilities	–	–	511	511
At 31 December 2021	318,908	305	2,926	322,139

Notes to Consolidated Financial Statements

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VI Notes to Consolidated Financial Statements (continued)

43 Notes to Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities (continued)

	Debt securities issued	Dividend Payable	Lease liabilities	Total
At 1 January 2020	206,242	5	3,108	209,355
Cash changes:				
Proceeds from issuance of debt securities	273,452	–	–	273,452
Repayments of borrowings	(243,698)	–	–	(243,698)
Repayment of interest on debt securities issued	(5,822)	–	–	(5,822)
Payment for dividend distribution	–	(5,780)	–	(5,780)
Payment for principal element of lease liabilities	–	–	(544)	(544)
Payment for interest element of lease liabilities	–	–	(129)	(129)
Non-cash changes:				
Interest expense (Note VI.1)	6,508	–	129	6,637
Dividends payable	–	6,036	–	6,036
Additions of lease liabilities	–	–	417	417
At 31 December 2020	236,682	261	2,981	239,924

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

44 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

(1) Securitization transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets or if cease to retain control over the asset.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. During the year ended 31 December 2021, the Group has transferred the ownership of the loans amounted to RMB445 million (2020: RMB393 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring the subordinated tranches, was RMB8,289 million (2020: RMB5,314 million). At 31 December 2021, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB1,948 million (At 31 December 2020: RMB978 million). The Group also recognised other assets and other liabilities of the same amount arising from such continuing involvement.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VI Notes to Consolidated Financial Statements (continued)

44 Transfer of Financial Assets (continued)

(2) Loan transfers

For the year ended 31 December 2021, the Group transferred non-performing loans amounting to RMB4,120 million (For the year ended 31 December 2020: RMB5,057 million) to the asset management companies. As the Group transferred substantially all the risks and rewards of these non-performing loans, the Group derecognized these non-performing loans.

(3) Repurchase transaction and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 31 December 2021, the face value of debt securities lent to counterparties was RMB21,960 million (31 December 2020: RMB7,290 million).

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VII The Equity in Other Entities

1 The equity in subsidiary

At the balance sheet date, details of the subsidiary included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/voting rights
Zhejiang Zheyin Financial Leasing Co., Ltd.	Zhejiang Province	Zhoushan	Financial institution	RMB4 billion	51%

At 16 December 2021, the Bank's subsidiary, Zheyin Financial Leasing, received an additional capital contribution of RMB1 billion, of which RMB0.51 billion was made by the Bank, accounting for 51% of the contribution. The Bank's shareholding percentage remains unchanged.

2 Interests in the unconsolidated structured entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes, asset management plans and asset-backed securities. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

If the Group has power over such structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements. If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

If the Group has power over such structured entities and enjoys variable interests through its involvement with the ability to affect those interests through its power, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements.

Except those consolidated structured entities mentioned above, basic information of unconsolidated structured entities is as follow:

(1) Basic information of unconsolidated structured entities directly held by the Group:

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans and asset-backed securities initiated and established by third-party institutions directly held by the Group.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VII The Equity in Other Entities (continued)

2 Interests in the unconsolidated structured entities (continued)

(1) Basic information of unconsolidated structured entities directly held by the Group: (continued)

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognized relating to the Group's interests in structured entities sponsored by third party institutions and directly held by the Group:

	31 December 2021			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	88,881	–	–	88,881
Trust schemes and asset management plans	4,337	78,785	–	83,122
Asset-backed securities	45,979	1,302	5,401	52,682
Total	139,197	80,087	5,401	224,685

	31 December 2020			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	82,673	–	–	82,673
Trust schemes and asset management plans	1,629	62,613	–	64,242
Asset-backed securities	3,035	–	–	3,035
Total	87,337	62,613	–	149,950

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortized cost of the assets held by the Group at the balance sheet date.

(2) Interests in structured entities, of which the Group is the sponsor, but which are not included in the consolidated financial statements:

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by providing management services.

At 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB245,092 million (31 December 2020: RMB288,908 million). During the year of 2021, the commission income received by the Group for providing asset management services for such financial products was RMB529 million (2020: RMB274 million). At the balance sheet date, the balance of service charges receivable for asset management services of the Group was not material.

Notes to Consolidated Financial Statements

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VIII Segment Reporting

1 Business segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, deposit products and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, deposit products, card business and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, financial derivatives business for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, profits, assets and liabilities are included in the internal balances and internal transactions that are offsetted in preparing the financial statements. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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VIII Segment Reporting (continued)

1 Business segment (continued)

Other business (continued)

Business segments

	Corporate banking	Retail banking	2021 Treasury operations	Others	Total
External net interest income	17,684	13,322	9,699	1,247	41,952
Inter-segment net interest income/(expenses)	6,859	(1,236)	(5,623)	-	-
Net interest income	24,543	12,086	4,076	1,247	41,952
Net fee and commission income/(expenses)	2,723	663	679	(15)	4,050
Net trading gains	-	-	7,238	-	7,238
Net gains on financial investments	525	-	248	-	773
Other operating income	-	67	-	504	571
Operating income	27,791	12,816	12,241	1,736	54,584
Operating expenses	(7,734)	(3,664)	(2,754)	(620)	(14,772)
Expected credit losses	(6,138)	(5,295)	(12,818)	(580)	(24,831)
Total operating expenses	(13,872)	(8,959)	(15,572)	(1,200)	(39,603)
Profit/(losses) before taxation	13,919	3,857	(3,331)	536	14,981
Segment assets	1,080,511	390,853	755,692	41,590	2,268,646
Unallocated assets					18,077
Total assets					2,286,723
Segment liabilities	(1,232,784)	(189,060)	(678,032)	(19,964)	(2,119,840)
Other segment information:					
Credit commitments and financial guarantee	720,975	14,097	-	574	735,646
Depreciation and amortization	899	424	313	43	1,679
Capital expenditure	1,216	440	850	47	2,553

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VIII Segment Reporting (continued)

1 Business segment (continued)

Other business (continued)

Business segments (continued)

	Corporate banking	Retail banking	2020 Treasury operations	Others	Total
External net interest income	14,561	10,560	10,821	1,153	37,095
Inter-segment net interest income/(expenses)	8,176	(477)	(7,699)	–	–
Net interest income	22,737	10,083	3,122	1,153	37,095
Net fee and commission income	3,319	395	523	13	4,250
Net trading gains	–	–	4,367	–	4,367
Net gains on financial investments	623	–	927	2	1,552
Other operating income	–	74	64	369	507
Operating income	26,679	10,552	9,003	1,537	47,771
Operating expenses	(6,867)	(3,840)	(2,029)	(506)	(13,242)
Expected credit losses	(6,335)	(3,779)	(9,478)	(574)	(20,166)
Total operating expenses	(13,202)	(7,619)	(11,507)	(1,080)	(33,408)
Profit/(losses) before taxation	13,477	2,933	(2,504)	457	14,363
Segment assets	959,337	357,558	674,256	42,454	2,033,605
Unallocated assets					14,620
Total assets					2,048,225
Segment liabilities	(1,083,585)	(256,895)	(558,696)	(16,506)	(1,915,682)
Other segment information:					
Credit commitments and financial guarantee	667,927	14,537	–	9	682,473
Depreciation and amortization	827	467	234	32	1,560
Capital expenditure	820	306	577	35	1,738

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VIII Segment Reporting (continued)

2 Regional division

The Group operates principally in mainland China, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China:

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning.

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VIII Segment Reporting (continued)

2 Regional division (continued)

Regional Division

	2021					Elimination	Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China			
External net interest income	25,228	3,595	3,866	9,263	-	41,952	
Inter-segment net interest (expenses)/income	(1,755)	2,962	79	(1,286)	-	-	
Net interest income	23,473	6,557	3,945	7,977	-	41,952	
Net fee and commission income	1,359	983	307	1,401	-	4,050	
Net trading gains	6,753	218	14	253	-	7,238	
Net gains on financial investments	370	143	124	136	-	773	
Other operating income	384	53	17	117	-	571	
Operating income	32,339	7,954	4,407	9,884	-	54,584	
Operating expenses	(8,514)	(2,407)	(1,327)	(2,524)	-	(14,772)	
Expected credit losses	(19,185)	(2,029)	(1,762)	(1,855)	-	(24,831)	
Total operating expenses	(27,699)	(4,436)	(3,089)	(4,379)	-	(39,603)	
Profit before taxation	4,640	3,518	1,318	5,505	-	14,981	
Segment assets	1,934,599	321,957	217,480	303,499	(508,889)	2,268,646	
Unallocated assets						18,077	
Total assets						2,286,723	
Segment liabilities	(1,796,692)	(319,302)	(216,886)	(295,849)	508,889	(2,119,840)	
Other segment information:							
Credit commitments and financial guarantee	317,909	169,900	59,341	188,496	-	735,646	
Depreciation and amortization	896	317	156	310	-	1,679	
Capital expenditure	1,712	147	39	655	-	2,553	

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VIII Segment Reporting (continued)

2 Regional division (continued)

Regional Division (continued)

	2020					Elimination	Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China			
External net interest income	22,460	3,381	1,760	9,494	-	37,095	
Inter-segment net interest income/(expenses)	(2,056)	3,158	1,057	(2,159)	-	-	
Net interest income	20,404	6,539	2,817	7,335	-	37,095	
Net fee and commission income	959	1,258	557	1,476	-	4,250	
Net trading gains	3,019	379	467	502	-	4,367	
Net gains on financial investments	1,233	110	44	165	-	1,552	
Other operating income	339	53	6	109	-	507	
Operating income	25,954	8,339	3,891	9,587	-	47,771	
Operating expenses	(7,457)	(2,134)	(1,144)	(2,507)	-	(13,242)	
Expected credit losses	(13,761)	(1,629)	(1,617)	(3,159)	-	(20,166)	
Total operating expenses	(21,218)	(3,763)	(2,761)	(5,666)	-	(33,408)	
Profit before taxation	4,736	4,576	1,130	3,921	-	14,363	
Segment assets	1,747,143	322,344	189,854	282,388	(508,124)	2,033,605	
Unallocated assets						14,620	
Total assets						2,048,225	
Segment liabilities	(1,630,970)	(323,184)	(190,771)	(278,881)	508,124	(1,915,682)	
Other segment information:							
Credit commitments and financial guarantee	313,097	154,525	51,433	163,418	-	682,473	
Depreciation and amortization	861	244	142	313	-	1,560	
Capital expenditure	1,313	345	23	57	-	1,738	

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IX Commitments and Contingencies

1 Credit commitments and financial guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Block chain receivables confirmation refer to the Group's commitment to block chain receivables confirmation issued by customers. The Group expects that most of the bank acceptances and block chain receivables confirmation will be settled at the same time as the payment of customers. The Group provides letter of credit and financial guarantee services to guarantee the performance of customers to third parties. The Group's credit commitments include approved loan commitments and undrawn credit card limit.

The contractual amount of credit commitments and financial guarantee are set out below: the amount of bank acceptances, letter of credit and letter of guarantee, block chain receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The disclosed corporate loan commitments amount and undrawn credit line of credit card are the contract amount assumed to be fully issued. The relevant credit line may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	31 December 2021	31 December 2020
Bank acceptances	364,967	348,075
Letters of credit issued	134,755	104,480
Letters of guarantee issued		
– Financing letters of guarantee	19,409	14,594
– Non-financing letters of guarantee	12,632	9,749
Undrawn credit card facility	14,097	14,537
Corporate loan commitments	3,857	653
Finance lease commitments	574	9
Block chain receivables confirmation and other financial guarantee contracts	185,355	190,376
Total	735,646	682,473

2 Capital commitments

At the balance sheet date, the Group's capital commitments are as follows:

	31 December 2021	31 December 2020
Contracted but not yet incurred	2,615	2,571
Authorized but not contracted	1,864	2,706
Total	4,479	5,277

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IX Commitments and Contingencies (continued)

3 Bond underwriting and redemption commitments

(1) At 31 December 2021, the Group has outstanding bond underwriting commitment with an amount of RMB3,090 million (31 December 2020: RMB250 million).

(2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the “MOF”) and the PBOC.

At 31 December 2021, the Group had underwritten bonds with an accumulated amount of RMB1,184 million (31 December 2020: RMB983 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Litigations and arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. The Group expects that such pending litigations will not materially affect the Group’s financial position.

X Fiduciary Business

1 Entrusted loan business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

At the balance sheet dates, the entrusted business assets and liabilities of the Group are as follows:

	31 December 2021	31 December 2020
Entrusted loans	22,190	25,610
Entrusted loan funds	22,190	25,610

2 Wealth management services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group’s balance sheet.

At the balance sheet date, please refer to Note VII.2 (2) for information about wealth management services.

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XI Collateral Information

1 Assets pledged as security

The book value (excluding interest accrued) of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, financial assets sold under repurchase agreements and customer deposits. These transactions are conducted on the general standard terms of the relevant business.

	31 December 2021	31 December 2020
Due to the central bank	50,784	83,666
Financial assets sold under repurchase agreements	–	900
Customer deposits	47,418	42,620
Total	98,202	127,186

(1) Analyzed by collateral type

	31 December 2021	31 December 2020
Bond investments	93,109	123,432
Bills	13,284	14,966
Total	106,393	138,398

In addition, the Group provides collateral for the bonds it holds through the bond lending business and bond swap business. At 31 December 2021, the assets as collateral under the bond lending business of the Group were RMB216 million (31 December 2020: Nil).

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For the year ended 31 December 2021
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XI Collateral Information (continued)

2 Assets received as collateral

At 31 December 2021, the Group received securities amounting to RMB200 million (At 31 December 2020: RMB200 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in the granting of loans and advances to customers and financial investments that are credit-impaired could be referred to in Note XIII.1(10).

XII Related Party Relationship and Transactions

1 Shareholders

At the balance sheet date, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655	12.49%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Holding Co., Ltd. and Zhejiang Energy International Co., Ltd.	1,487	6.99%
Traveller Automobile Group Co., Ltd.	1,347	6.33%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,243	5.84%
Hengdian Group Holdings Limited	1,243	5.84%

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XII Related Party Relationship and Transactions (continued)

2 Related party transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/balance of related similar transactions
The amount of significant transactions in 2021 is as follows:								
Interest income	2	-	-	100	3	41	146	0.16%
Interest expense	(295)	(7)	-	(14)	(3)	(6)	(325)	0.64%
Fee and commission income	1	-	-	22	-	-	23	0.49%
Net trading gains	1	-	-	-	48	-	49	0.68%
Other operating income	-	-	-	-	-	1	1	0.18%
The balance of major current accounts at 31 December 2021 is as follows:								
Loans and advances to customers	140	-	-	1,038	-	305	1,483	0.11%
Financial investments measured at FVTPL	1,322	-	-	-	4,180	-	5,502	3.07%
Financial investments measured at AC	-	-	-	1,500	-	600	2,100	0.55%
Financial investments measured at FVOCI	121	-	-	60	-	71	252	0.26%
Customer deposits	(8,438)	(308)	-	(503)	(29)	(446)	(9,724)	0.70%
The major off balance sheet items at 31 December 2021 are as follows:								
Credit commitments and financial guarantee	19	-	-	2,620	132	15	2,786	0.39%
Loan balance guaranteed by related parties	2,270	-	-	340	-	90	2,700	0.20%

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XII Related Party Relationship and Transactions (continued)

2 Related party transactions (continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2020 is as follows:								
Interest income	70	-	-	12	2	87	171	0.20%
Interest expense	(356)	(13)	-	(5)	(14)	(73)	(461)	0.94%
Fee and commission income	-	-	-	10	-	6	16	0.34%
Net trading gains	72	1	-	-	83	-	156	3.57%
The balance of major current accounts at 31 December 2020 is as follows:								
Loans and advances to customers	58	-	-	851	-	2,174	3,083	0.26%
Financial investments measured at FVTPL	1,323	-	-	-	2,490	-	3,813	2.95%
Financial investments measured at AC	-	-	-	1,500	1,000	600	3,100	0.90%
Financial investments measured at FVOCI	-	-	-	-	-	-	-	-
Customer deposits	(5,896)	(237)	-	(502)	(36)	(2,438)	(9,109)	0.69%
The major off balance sheet items at 31 December 2020 are as follows:								
Credit commitments and financial guarantee	1	-	-	2,108	106	543	2,758	0.41%
Loan balance guaranteed by related parties	300	-	-	1,122	106	3,108	4,636	0.39%

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XII Related Party Relationship and Transactions (continued)

3 Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the year were as follows:

	2021	2020
Fees	2	2
Salaries and allowances and benefits	10	14
Discretionary bonuses	7	8
Contribution to pension	2	3
Total	21	27

The total compensation packages for directors and key management personnel have not been finalized. The total compensation packages will be further disclosed when determined.

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XII Related Party Relationship and Transactions (continued)

4 Transactions between the bank and the subsidiary

The transactions between the Bank and its subsidiary are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The transactions between the Bank and its subsidiary are as follows:

	2021	2020
The amount of significant transactions for the year is as follows:		
Interest income	95	44
Interest expense	(3)	(3)
Fee and commission income	1	1
Other operating income	9	9
Capital injection	(510)	–
Received dividends from subsidiary	78	–
At 31 December, the balance of major current accounts is as follows:		
Other debt investments	–	95
Placements with banks and other financial institutions	3,003	3,010
Deposits from banks and other financial institutions	(52)	(105)
Other liabilities	(4)	(3)
The major off balance sheet items at 31 December are as follows:		
Credit commitments and financial guarantee	191	597

5 Plan and transaction of annuity

Except for normal contributions, there were no other related party transactions in the enterprise annuity funds established by the Group and the Bank during the reporting period.

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XIII Financial Risk Management

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management; the board of supervisors is responsible for supervising comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place. The senior management has established special committees including risk management and internal control committee, asset and liability management committee, credit extension, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk and compliance risk management. The general office at the head office is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk), and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(1) Credit risk measurement

Loans and advances to customers, loan commitments and financial guarantees

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified a management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

Bond investment

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for financial instruments with available credit ratings such as government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval process and credit rating requirements. At the same time, the Group continues to focus on the credit access, rating access, business development and changes in the industry, and performs continuous evaluation and management of credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans, and conducts follow-up review of risk management on a regular basis.

Interbank business

Credit risk of individual financial institutions is reviewed and managed on a regularly basis. Credit lines are set for individual banks or other financial institutions that engage in financial transactions with the Group.

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collateral and pledge

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means measures for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties;
- Business assets such as commercial, properties, inventories and accounts receivables; and
- Financial instruments such as debt securities and stocks

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

Collaterals and pledge assets	Maximum loan to value ratio
Time deposits (RMB)	100%
Time deposits (Foreign currency)	90%
PRC treasury bonds	90%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Special equipment	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures (continued)

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Deposits of credit commitments and financial guarantee

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

(3) Measurement of ECLs

The ECL model is used for the measurement of the provision for financial assets at AC, financial assets at FVOCI and credit commitments and financial guarantee.

The ECL model is developed according to the accounting standards. The top-down development method is used to establish the logistic regression model of risk parameters and macroeconomic indicators such as GDP and etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic.

Staging classification of financial instruments

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether credit risk of a financial instrument has increased significantly since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the probability of default, overdue days, credit risk rating, etc.

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Definition of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgment criteria mainly include more than 30 days overdue, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The borrower is more than 90 days overdue after the contractual payment date;
- The five-category classification of the borrower is substandard, doubtful or loss;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is experiencing significant financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial instruments and credit commitments and financial guarantee of the Group; the definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Measurement of ECLs: explanation of parameters, assumptions and valuation techniques

Except for the credit-impaired financial assets, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes loss allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Expected credit loss allowance is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil his obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the expected credit losses for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.

The measurement of allowance for ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realizable value of collateral; and
- The timing of the expected cash flows.

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Forward-looking information and other adjustments included in the ECL model

The Group has established macro-economic forecast model, along with adjustments from internal economy experts. The Group conduct forecasts regularly to establish three economic scenarios, optimistic, neutral and pessimistic, so as to ensure coverage of non-linear features for the main expected credit loss model. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity testing.

The impairment model is established through a top down approach. The Group has developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP), Producer Price Index growth (PPI), fiscal revenue growth, growth rate of broad measure of money supply (M2), etc. The Group uses forecasting results of macro-indicators to achieve “forward-looking” calculation of provision.

At 31 December 2021, the year-on-year GDP growth the Group used to estimate ECL ranges from 4% to 5% in the neutral scenario for 2021. When measuring ECLs, the Bank fully considers the impact of the pandemic on credit risk exposure and makes allowance for expected credit losses prudently, thereby enhancing the Group’s risk compensation capability.

(4) Maximum exposure to credit risk

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the expected credit loss measurement. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	31 December 2021	31 December 2020
Cash and balances with the central bank	141,510	137,441
Deposits with banks and other financial institutions	39,391	38,827
Placements with banks and other financial institutions	12,762	5,637
Financial assets purchased under resale agreements	22,352	57,067
Loans and advances to customers		
– measured at AC	1,062,484	965,235
– measured at FVOCI	249,405	200,640
Financial investments		
– measured at AC	374,558	336,109
– measured at FVOCI	96,805	62,013
Other financial assets	42,294	33,251
Total	2,041,561	1,836,220

At the balance sheet date, the Group’s maximum exposure to credit risk in respect of off-balance-sheet credit commitments and financial guarantee contracts is disclosed in Note IX. 1.

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

Geographical segments

The gross amount of loans and advances to customers (excluding fair value changes and interest accrued) granted by the Group are listed as follows by region:

	31 December 2021		31 December 2020	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	731,277	54.43%	687,825	57.60%
Midwestern China	242,868	18.08%	203,660	17.05%
Bohai Rim Region	193,924	14.44%	167,846	14.05%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	175,270	13.05%	134,931	11.30%
Total	1,343,339	100.00%	1,194,262	100.00%

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration (continued)

Industry segments

The gross amount of loans and advances to customers (excluding fair value changes and interest accrued) granted by the Group are listed as follows by industry:

	31 December 2021		31 December 2020	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Leasing and commercial services	189,602	14.13%	168,182	14.08%
Manufacturing	174,473	12.99%	136,187	11.41%
Real estate	168,724	12.56%	165,208	13.84%
Wholesale and retail trade	127,356	9.48%	99,635	8.34%
Construction	57,425	4.27%	53,241	4.46%
Administration of water conservancy, environment and public facilities	50,091	3.73%	54,597	4.57%
Financing	30,277	2.25%	39,498	3.31%
Production and supply of electricity, gas and water	14,999	1.12%	10,900	0.91%
Accommodation and catering	12,493	0.93%	10,711	0.90%
Information transmission, computer services and software industry	11,468	0.85%	13,281	1.11%
Transportation, storage and postal service	11,466	0.85%	11,351	0.95%
Scientific research, technology services and geological exploration	10,223	0.76%	8,325	0.70%
Mining	8,113	0.60%	3,895	0.33%
Agriculture, forestry, animal husbandry and fishery	7,741	0.58%	3,724	0.31%
Culture, sports and entertainment	3,954	0.29%	3,842	0.32%
Health, social security and social welfare	2,026	0.15%	1,928	0.16%
Education	1,286	0.10%	2,090	0.18%
Household services and other services	1,254	0.09%	1,464	0.12%
Public administration and social organization	19	0.00%	7	0.00%
Corporate loans and advances	882,990	65.73%	788,066	66.00%
Personal loans and advances	381,494	28.40%	333,108	27.89%
Discounted bills	78,855	5.87%	73,088	6.11%
Total	1,343,339	100.00%	1,194,262	100.00%

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers of the Group are listed as follows:

	31 December 2021	31 December 2020
Credit-impaired	25,955	19,327
Less: Allowance for ECLs	(16,688)	(11,306)
Subtotal	9,267	8,021
Overdue but not credit-impaired	2,981	5,133
Less: Allowance for ECLs	(601)	(644)
Subtotal	2,380	4,489
Neither overdue nor credit-impaired	1,314,641	1,169,650
Interest accrued	3,662	3,588
Less: Allowance for ECLs	(18,061)	(19,873)
Subtotal	1,300,242	1,153,365
Total	1,311,889	1,165,875

At 31 December 2021, the total allowance for ECLs of the loans and advances to customers measured at FVOCI which were either credit-impaired, overdue but not credit-impaired or neither overdue nor credit-impaired, were RMB57 million (31 December 2020: RMB10 million), RMB1 million (31 December 2020: RMB0 million) and RMB679 million (31 December 2020: RMB726 million), respectively. The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(7) Credit risk analysis of the amount due from banks and other financial institutions

Amount due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the carrying amount of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	31 December 2021	31 December 2020
Credit-impaired	-	545
Less: Allowance for ECLs	-	(495)
Subtotal	-	50
Neither overdue nor credit-impaired		
– Commercial banks	49,043	68,266
– Other financial institutions	25,429	33,128
Interest accrued	107	92
Less: Allowance for ECLs	(74)	(5)
Subtotal	74,505	101,481
Total	74,505	101,531

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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(8) Credit risk analysis of debt investments

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount of the debt instruments which are subjected to the ECL model is listed as follows:

	31 December 2021	31 December 2020
Credit-impaired	24,947	12,509
Less: Allowance for ECLs	(13,691)	(9,030)
Subtotal	11,256	3,479
Overdue but not credit-impaired	15,395	2,584
Less: Allowance for ECLs	(875)	(375)
Subtotal	14,520	2,209
Neither overdue nor credit-impaired		
– Government	181,754	156,926
– Policy banks	84,118	71,182
– Commercial banks	13,129	15,928
– Other financial institutions	3,875	2,505
– Corporate entities	157,007	143,033
Interest accrued	7,813	6,986
Less: Allowance for ECLs	(2,109)	(4,126)
Subtotal	445,587	392,434
Total	471,363	398,122

At 31 December 2021, the total allowance for ECLs of the debt investments measured at FVOCI which were either credit-impaired or neither overdue nor credit-impaired, were RMB28 million (31 December 2020: RMB19 million) and RMB146 million (31 December 2020: RMB26 million), respectively. The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(9) Restructured loans and advances to customers

Restructured loans refer to those whose repayment terms of loan contracts are amended because of deterioration in the financial position or insolvency of the borrower. At 31 December 2021, the Group has credit-impaired loans and advances with carrying amount of RMB385 million (31 December 2020: RMB307 million) and the relevant contract terms have been renegotiated.

(10) Collaterals and other credit enhancement

The Group closely monitors the collateral corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments and the value of collateral held to reduce its potential losses are listed as follows:

	31 December 2021			
	Gross amount	Allowance for ECLs	Carrying amount	Fair value of collateral
Loans and advances to customers				
– Corporate loans and advances	21,674	(13,987)	7,687	15,846
– Personal loans and advances	4,281	(2,701)	1,580	1,886
Financial investments				
– Financial investments measured at AC	24,884	(13,691)	11,193	12,461
– Financial investments measured at FVOCI	63	–	63	–
Total	50,902	(30,379)	20,523	30,193
	31 December 2020			
	Gross amount	Allowance for ECLs	Carrying amount	Fair value of collateral
Loans and advances to customers				
– Corporate loans and advances	16,338	(9,468)	6,870	12,971
– Personal loans and advances	2,989	(1,838)	1,151	1,537
Financial investments				
– Financial investments measured at AC	12,478	(9,030)	3,448	4,054
– Financial investments measured at FVOCI	31	–	31	–
Total	31,836	(20,336)	11,500	18,562

The fair value of the above collateral is determined by the Group on the basis of the latest available external evaluation value according to the collateral disposal experience and market conditions.

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XIII Financial Risk Management (continued)

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, financial market department, FinTech department, audit department, other departments, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gains of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and optional risk.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (asset and liability management department), financial market department, FinTech department, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through repricing gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Group pays close attention to external environment and internal situation of interest rate risk of banking book and adjusts the structure of assets and liabilities flexibly. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the PBOC.

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by maturity date, whichever is earlier.

	At 31 December 2021					Total
	Non-interest bearing	Within 3 months	3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets						
Cash and balances with the central bank	527	140,983	-	-	-	141,510
Deposits with banks and other financial institutions	94	34,600	4,697	-	-	39,391
Placements with banks and other financial institutions	10	9,449	3,303	-	-	12,762
Derivative financial assets	14,264	-	-	-	-	14,264
Financial assets purchased under resale agreements	3	22,349	-	-	-	22,352
Loans and advances to customers	3,662	236,103	569,759	323,914	178,451	1,311,889
Financial investments						
- measured at FVTPL	96,378	4,886	32,906	38,561	6,466	179,197
- measured at AC	6,775	45,739	63,535	204,003	54,506	374,558
- measured at FVOCI	2,300	6,419	10,361	60,882	18,105	98,067
Other financial assets	3,902	7,551	19,183	11,315	343	42,294
Total financial assets	127,915	508,079	703,744	638,675	257,871	2,236,284
Financial liabilities						
Due to the central bank	(206)	(10,448)	(40,336)	-	-	(50,990)
Deposits from banks and other financial institutions	(1,907)	(123,159)	(111,910)	-	-	(236,976)
Placements from banks and other financial institutions	(288)	(16,853)	(23,460)	(420)	-	(41,021)
Financial liabilities at fair value through profit or loss	(12,114)	-	-	(346)	(52)	(12,512)
Derivative financial liabilities	(13,162)	-	-	-	-	(13,162)
Customer deposits	(18,436)	(790,217)	(309,203)	(289,659)	(8,190)	(1,415,705)
Debt securities issued	(1,034)	(48,328)	(214,863)	(39,683)	(15,000)	(318,908)
Lease liabilities	-	(178)	(381)	(1,919)	(448)	(2,926)
Other financial liabilities	(7,338)	(202)	(1,017)	-	-	(8,557)
Total financial liabilities	(54,485)	(989,385)	(701,170)	(332,027)	(23,690)	(2,100,757)
Interest rate exposure	73,430	(481,306)	2,574	306,648	234,181	135,527

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

	At 31 December 2020					Total
	Non-interest bearing	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets						
Cash and balances with the central bank	567	136,874	-	-	-	137,441
Deposits with banks and other financial institutions	40	38,787	-	-	-	38,827
Placements with banks and other financial institutions	49	3,497	2,091	-	-	5,637
Derivative financial assets	23,434	-	-	-	-	23,434
Financial assets purchased under resale agreements	3	57,064	-	-	-	57,067
Loans and advances to customers	3,588	205,638	549,090	267,121	140,438	1,165,875
Financial investments						
- measured at FVTPL	85,476	2,828	7,743	25,211	8,011	129,269
- measured at AC	6,002	13,609	65,887	207,233	43,378	336,109
- measured at FVOCI	1,978	1,130	5,203	43,158	11,538	63,007
Other financial assets	2,864	3,402	7,867	17,601	1,517	33,251
Total financial assets	124,001	462,829	637,881	560,324	204,882	1,989,917
Financial liabilities						
Due to the central bank	(1,103)	(41,475)	(42,190)	-	-	(84,768)
Deposits from banks and other financial institutions	(1,204)	(77,332)	(65,237)	(4,500)	-	(148,273)
Placements from banks and other financial institutions	(198)	(29,228)	(18,917)	(200)	-	(48,543)
Financial liabilities at fair value through profit or loss	(9,231)	-	-	-	-	(9,231)
Derivative financial liabilities	(23,478)	-	-	-	-	(23,478)
Financial assets sold under repurchase agreements	-	(900)	-	-	-	(900)
Customer deposits	(16,394)	(701,390)	(189,355)	(428,497)	-	(1,335,636)
Debt securities issued	(1,615)	(83,156)	(96,911)	(30,000)	(25,000)	(236,682)
Lease liabilities	-	(196)	(487)	(1,918)	(380)	(2,981)
Other financial liabilities	(7,615)	-	-	-	-	(7,615)
Total financial liabilities	(60,838)	(933,677)	(413,097)	(465,115)	(25,380)	(1,898,107)
Interest rate exposure	63,163	(470,848)	224,784	95,209	179,502	91,810

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For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year.

	2021		2020	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Change in interest rate				
Increase by 100 basis points	(3,151)	(2,634)	(2,458)	(1,925)
Decrease by 100 basis points	3,151	3,837	2,458	2,717

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on market price, customer behavior and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to changes in interest rates may differ from the analysis above.

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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk

The Group's business is mainly operated in China and settled in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	31 December 2021				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	137,519	3,967	19	5	141,510
Deposits with banks and other financial institutions	25,227	10,845	901	2,418	39,391
Placement with banks and other financial institutions	3,604	9,158	-	-	12,762
Derivative financial assets	13,743	504	13	4	14,264
Financial assets purchased under resale agreements	22,352	-	-	-	22,352
Loans and advances to customers	1,267,327	36,422	6,377	1,763	1,311,889
Financial investments					
- measured at FVTPL	159,868	19,329	-	-	179,197
- measured at AC	373,967	591	-	-	374,558
- measured at FVOCI	68,486	22,867	2,029	4,685	98,067
Other financial assets	41,799	491	-	4	42,294
Total financial assets	2,113,892	104,174	9,339	8,879	2,236,284
Financial liabilities					
Due to the central bank	(50,990)	-	-	-	(50,990)
Deposits from banks and other financial institutions	(219,664)	(16,541)	(771)	-	(236,976)
Placements from banks and other financial institutions	(28,393)	(10,493)	(2,035)	(100)	(41,021)
Financial liabilities at fair value through profit or loss	(12,512)	-	-	-	(12,512)
Derivative financial liabilities	(12,783)	(355)	(19)	(5)	(13,162)
Customer deposits	(1,366,665)	(43,940)	(775)	(4,325)	(1,415,705)
Debt securities issued	(309,366)	(9,542)	-	-	(318,908)
Lease liabilities	(2,864)	-	(62)	-	(2,926)
Other financial liabilities	(8,254)	(20)	(14)	(269)	(8,557)
Total financial liabilities	(2,011,491)	(80,891)	(3,676)	(4,699)	(2,100,757)
Net amount	102,401	23,283	5,663	4,180	135,527
Credit commitments and financial guarantee	699,348	32,209	218	3,871	735,646

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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

	31 December 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	134,673	2,756	7	5	137,441
Deposits with banks and other financial institutions	25,148	12,826	82	771	38,827
Placement with banks and other financial institutions	2,880	2,757	–	–	5,637
Derivative financial assets	23,007	423	3	1	23,434
Financial assets purchased under resale agreements	57,067	–	–	–	57,067
Loans and advances to customers	1,140,539	20,283	3,186	1,867	1,165,875
Financial investments					
– measured at FVTPL	111,201	18,068	–	–	129,269
– measured at AC	336,109	–	–	–	336,109
– measured at FVOCI	50,302	9,599	2,976	130	63,007
Other financial assets	33,079	172	–	–	33,251
Total financial assets	1,914,005	66,884	6,254	2,774	1,989,917
Financial liabilities					
Due to the central bank	(84,768)	–	–	–	(84,768)
Deposits from banks and other financial institutions	(143,827)	(4,122)	(324)	–	(148,273)
Placements from banks and other financial institutions	(37,622)	(10,528)	(393)	–	(48,543)
Financial liabilities at fair value through profit or loss	(9,231)	–	–	–	(9,231)
Derivative financial liabilities	(23,112)	(343)	(22)	(1)	(23,478)
Financial assets sold under repurchase agreements	(900)	–	–	–	(900)
Customer deposits	(1,309,005)	(24,763)	(412)	(1,456)	(1,335,636)
Debt securities issued	(236,290)	(392)	–	–	(236,682)
Lease liabilities	(2,899)	–	(82)	–	(2,981)
Other financial liabilities	(7,460)	(141)	(14)	–	(7,615)
Total financial liabilities	(1,855,114)	(40,289)	(1,247)	(1,457)	(1,898,107)
Net amount	58,891	26,595	5,007	1,317	91,810
Credit commitments and financial guarantee	652,540	26,365	169	3,399	682,473

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XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant.

	Sensitivity of net profit and equity	
	31 December 2021 Increase/ (Decrease)	31 December 2020 Increase/ (Decrease)
Change in USD exchange rate		
Appreciation against RMB by 100 bps	175	199
Depreciation against RMB by 100 bps	(175)	(199)
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	42	38
Depreciation against RMB by 100 bps	(42)	(38)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis above.

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XIII Financial Risk Management (continued)

3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial situation, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (asset and liability management department), financial market department, FinTech department, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism.

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XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	31 December 2021						Total
	Overdue	On demand/ indefinite	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	-	141,510	-	-	-	-	141,510
Deposits with banks and other financial institutions	-	25,902	8,754	4,873	-	-	39,529
Placements with banks and other financial institutions	-	-	9,459	3,423	-	-	12,882
Financial assets purchased under resale agreements	-	-	22,362	-	-	-	22,362
Loans and advances to customers	7,581	-	249,112	600,054	373,802	217,012	1,447,561
Financial investments							
- measured at FVTPL	-	93,014	5,412	35,021	43,903	6,962	184,312
- measured at AC	20,296	-	28,390	92,959	258,524	59,232	459,401
- measured at FVOCI	63	1,262	7,658	13,361	68,195	18,355	108,894
Other financial assets	623	3,492	4,749	13,007	22,303	1,796	45,970
Total financial assets	28,563	265,180	335,896	762,698	766,727	303,357	2,462,421
Financial liabilities							
Due to the central bank	-	-	(10,515)	(41,445)	-	-	(51,960)
Deposits from banks and other financial institutions	-	(537)	(123,704)	(114,530)	-	-	(238,771)
Placements from banks and other financial institutions	-	-	(16,967)	(24,214)	(456)	-	(41,637)
Financial liabilities at fair value through profit or loss	-	(60)	(6,165)	(5,935)	(394)	(58)	(12,612)
Customer deposits	-	(718,111)	(89,749)	(320,387)	(313,273)	(8,430)	(1,449,950)
Debt securities issued	-	-	(49,282)	(219,283)	(43,990)	(16,440)	(328,995)
Lease liabilities	-	-	(193)	(414)	(2,106)	(502)	(3,215)
Other financial liabilities	-	(6,705)	(229)	(1,646)	-	-	(8,580)
Total financial liabilities	-	(725,413)	(296,804)	(727,854)	(360,219)	(25,430)	(2,135,720)
Net amount	28,563	(460,233)	39,092	34,844	406,508	277,927	326,701

Notes to Consolidated Financial Statements

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

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (continued)

	31 December 2020						Total
	Overdue	On demand/ indefinite	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	-	137,441	-	-	-	-	137,441
Deposits with banks and other financial institutions	-	30,535	8,338	-	-	-	38,873
Placements with banks and other financial institutions	-	51	3,540	2,145	-	-	5,736
Financial assets purchased under resale agreements	-	-	57,067	-	-	-	57,067
Loans and advances to customers	13,194	-	216,632	573,765	305,712	167,302	1,276,605
Financial investments							
- measured at FVTPL	-	85,476	3,054	9,348	29,029	7,847	134,754
- measured at AC	5,221	-	12,012	82,328	232,327	50,421	382,309
- measured at FVOCI	32	994	1,383	6,163	47,768	13,531	69,871
Other financial assets	256	2,864	3,218	9,012	19,690	1,813	36,853
Total financial assets	18,703	257,361	305,244	682,761	634,526	240,914	2,139,509
Financial liabilities							
Due to the central bank	-	-	(42,104)	(42,778)	-	-	(84,882)
Deposits from banks and other financial institutions	-	(33,462)	(44,976)	(67,360)	(4,806)	-	(150,604)
Placements from banks and other financial institutions	-	-	(29,444)	(19,870)	(217)	-	(49,531)
Financial liabilities at fair value through profit or loss	-	(61)	(1,483)	(7,710)	-	-	(9,254)
Financial assets sold under repurchase agreements	-	-	(900)	-	-	-	(900)
Customer deposits	-	(610,929)	(122,612)	(182,104)	(463,308)	-	(1,378,953)
Debt securities issued	-	-	(84,615)	(100,256)	(35,831)	(27,520)	(248,222)
Lease liabilities	-	-	(194)	(419)	(1,925)	(615)	(3,153)
Other financial liabilities	-	(6,641)	(344)	(630)	-	-	(7,615)
Total financial liabilities	-	(651,093)	(326,672)	(421,127)	(506,087)	(28,135)	(1,933,114)
Net amount	18,703	(393,732)	(21,428)	261,634	128,439	212,779	206,395

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

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

	31 December 2021					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Inflow	4	157	374	89	1	625

	31 December 2020					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Outflow	(2)	(1)	(32)	(63)	–	(98)

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments (continued)

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	31 December 2021					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Outflow	(39,906)	(46,278)	(84,765)	(16,915)	(1)	(187,865)
Inflow	41,262	46,374	84,801	16,966	3	189,406
Total	1,356	96	36	51	2	1,541

	31 December 2020					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Outflow	(103,334)	(187,996)	(306,689)	(2,601)	–	(600,620)
Inflow	102,682	188,354	306,763	2,660	–	600,459
Total	(652)	358	74	59	–	(161)

Notes to Consolidated Financial Statements

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

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, loan commitments, undrawn credit card limit, block chain receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	31 December 2021			Total
	Within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances	364,967	–	–	364,967
Letters of credit issued	134,197	558	–	134,755
Letters of guarantee issued	26,674	5,353	14	32,041
Corporate loan Commitments	3,743	114	–	3,857
Finance lease Commitments	129	445	–	574
Undrawn credit card facility	14,097	–	–	14,097
Block chain receivables confirmation and other financial guarantee contracts	177,179	8,176	–	185,355
Total	720,986	14,646	14	735,646

	31 December 2020			Total
	Within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances	348,075	–	–	348,075
Letters of credit issued	104,442	38	–	104,480
Letters of guarantee issued	20,522	3,806	15	24,343
Corporate loan commitments	520	133	–	653
Finance lease Commitments	9	–	–	9
Undrawn credit card facility	14,537	–	–	14,537
Block chain receivables confirmation and other financial guarantee contracts	186,323	4,053	–	190,376
Total	674,428	8,030	15	682,473

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For the year ended 31 December 2021
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XIV Capital Management

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

Since 1 January 2013, the Group has calculated and disclosed capital adequacy ratio in accordance with *the Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* issued by the former CBRC on 7 June 2012 and other relevant regulations.

Core tier 1 capital includes paid-in capital, capital reserve, surplus reserve, generic risk reserve, retained earnings, and the portion of non-controlling shareholders' capital that may be included in core tier 1 capital. Other tier 1 capital includes other tier 1 capital instruments and their premiums, and the portion of non-controlling shareholders' capital that may be included in other tier 1 capital. Tier 2 capital includes tier 2 capital instruments and their premium, and the portion of excessive allowance for loan losses that may be included, and the portion of non-controlling shareholders' capital that may be included in tier 2 capital.

The Group calculates the capital adequacy ratio in accordance with *Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* and relevant requirements is listed as below:

	31 December 2021	31 December 2020
Net core tier 1 capital	122,602	116,378
Net tier 1 capital	162,826	131,503
Net capital	194,356	171,988
Risk-weighted assets	1,507,438	1,330,565
Core tier 1 capital adequacy ratio	8.13%	8.75%
Tier 1 capital adequacy ratio	10.80%	9.88%
Capital adequacy ratio	12.89%	12.93%

Notes to Consolidated Financial Statements

For the year ended 31 December 2021
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XV Fair Value of Financial Instruments

1 Fair values of financial assets and liabilities

(1) Fair value hierarchy

The following table presents 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 at balance sheet date on a recurring basis. The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. 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: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2021			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	14,264	-	14,264
Loans and advances to customers	-	249,405	-	249,405
Financial investments				
– measured at FVTPL	17,944	155,616	5,637	179,197
– measured at FVOCI	-	96,805	1,262	98,067
Total assets measured at fair value on a recurring basis	17,944	516,090	6,899	540,933
Financial liabilities at fair value through profit or loss	-	(12,512)	-	(12,512)
Derivative financial liabilities	-	(13,162)	-	(13,162)
Total liabilities measured at fair value on a recurring basis	-	(25,674)	-	(25,674)

Notes to Consolidated Financial Statements

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

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(1) Fair value hierarchy (continued)

	31 December 2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	23,434	–	23,434
Loans and advances to customers	–	200,640	–	200,640
Financial investments				
– measured at FVTPL	14,687	110,818	3,764	129,269
– measured at FVOCI	–	62,013	994	63,007
Total assets measured at fair value on a recurring basis	14,687	396,905	4,758	416,350
Financial liabilities at fair value through profit or loss	–	(9,231)	–	(9,231)
Derivative financial liabilities	–	(23,478)	–	(23,478)
Total liabilities measured at fair value on a recurring basis	–	(32,709)	–	(32,709)

(2) Level 1 fair value measurement

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds and listed company equity investments.

Notes to Consolidated Financial Statements

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

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond investment, term-ended funds, bill discounted, trade finance, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts.

For the fair value of RMB bonds, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For bill discounted and trade finance, the Group adopts discounted cash flow model for valuation. Based on SHIBOR, the Group constructs the interest rate curve by adjusting the credit spread based on credit and liquidity risk.

For non-derivative financial instruments and some derivative financial instruments including interest rate swaps, foreign exchange forwards etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

During the reporting period, there were no changes in the valuation techniques used in the Group's recurring Level 2 fair value measurement as described above.

Notes to Consolidated Financial Statements

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XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value.

Financial instruments of level 3 fair value adopt discounted cash flow model. Based on the interest rate curve issued by China Central Depository & Clearing Co., Ltd., the Group constructs an interest rate curve by adjusting the credit spreads in accordance with credit risk. The valuation model of level 3 fair value mentioned above involves both observable and unobservable parameters. Observable parameters include the application of market interest rates. Unobservable parameters include credit spreads. Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 31 December 2021	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	717	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	256	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	2,197	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	2,237	Net assets analysis	Net assets
– Equity investments	230	Market method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,262	Net assets analysis	Net assets, Liquidity discount
	Fair value at 31 December 2020	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	895	Discounted cash flow method	Risk-adjusted discount rate
– Bonds and asset-backed securities	1,394	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	1,475	Net assets analysis	Net assets
Financial investments measured at FVOCI			
– Equity investments	994	Net assets analysis	Net assets

Notes to Consolidated Financial Statements

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

XV Fair Value of Financial Instruments (continued)

1 Fair values of financial assets and liabilities (continued)

(4) Level 3 fair value measurement (continued)

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable. Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
At 1 January 2021	3,764	994	4,758
Total (losses)/gains recognized in profit or loss	(154)	3	(151)
Total gains recognized in other comprehensive income	–	18	18
Purchase	2,558	250	2,808
Disposals and settlements	(531)	(3)	(534)
At 31 December 2021	5,637	1,262	6,899

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
At 1 January 2020	3,562	690	4,252
Total gains recognized in profit or loss	164	2	164
Total gains recognized in other comprehensive income	–	54	54
Purchase	1,151	250	1,401
Disposals and settlements	(1,113)	(2)	(1,113)
At 31 December 2020	3,764	994	4,758

Notes to Consolidated Financial Statements

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

XV Fair Value of Financial Instruments (continued)

2 Transfers between items measured at different levels of fair value

During the reporting period, there were no transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

3 Change in valuation techniques and the rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

4 Financial assets and liabilities not measured at fair value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

	31 December 2021				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
Financial assets					
Financial investments measured at AC	–	227,261	148,436	375,697	374,558
Financial liabilities					
Debt securities issued	–	319,474	–	319,474	318,908
	31 December 2020				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC	–	192,617	143,486	336,103	336,109
Financial liabilities					
Debt securities issued	–	234,439	–	234,439	236,682

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

Notes to Consolidated Financial Statements

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

XVI Subsequent Events

1 Profit Distribution to Preference Shareholders and Redemption

On 25 January 2022, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) or USD119 million (tax exclusive) was distributed, calculated at a dividend rate of 5.45% (after tax). The dividend issuance date was 29 March 2022.

Meanwhile, a redemption of USD2,175 million of the offshore preference shares has been considered and approved by the board of directors of the Bank. The redemption date was 29 March 2022.

2 Issuance of Small and Micro Businesses Financial Bonds

On 23 February 2022, the Bank issued a small and micro business financial bond of RMB10 billion with a maturity of 3 years and a fixed coupon rate of 2.83%.

XVII Comparative Figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

XVIII Statements of Financial Position of the Bank

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and balances with the central bank		141,510	137,411
Precious metals		5,899	19,478
Deposits with banks and other financial institutions		39,094	38,455
Placements with banks and other financial institutions		15,465	8,648
Derivative financial assets		14,264	23,434
Financial assets purchased under resale agreements		22,352	57,067
Loans and advances to customers		1,311,889	1,165,875
Financial investments			
– Financial assets measured at fair value through profit or loss		178,748	128,762
– Financial assets measured at amortized cost		374,558	336,109
– Financial assets measured at fair value through other comprehensive income		98,067	63,102
Investment in subsidiaries	VI.19	2,040	1,530
Fixed assets		13,193	12,552
Right-of-use assets		4,670	4,826
Intangible assets		464	279
Deferred tax assets		17,651	14,244
Other assets		8,237	7,472
TOTAL ASSETS		2,248,101	2,019,244

Notes to Consolidated Financial Statements

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

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2021	31 December 2020
LIABILITIES		
Due to the central bank	50,990	84,768
Deposits from banks and other financial institutions	237,028	148,378
Placements from banks and other financial institutions	13,281	26,825
Financial liabilities at fair value through profit or loss	12,512	9,231
Derivative financial liabilities	13,162	23,478
Financial assets sold under repurchase agreements	–	900
Customer deposits	1,415,705	1,335,130
Employee benefits payable	5,185	4,804
Taxes payable	5,367	4,486
Provisions	4,952	5,686
Debt securities issued	317,388	236,682
Lease liabilities	2,926	2,981
Other liabilities	6,221	5,966
TOTAL LIABILITIES	2,084,717	1,889,315
EQUITY		
Share capital	21,269	21,269
Other equity instruments	39,953	14,958
– Preference shares	14,958	14,958
– Perpetual bonds	24,995	–
Capital reserve	32,018	32,018
Other comprehensive income	557	261
Surplus reserve	9,743	8,499
Statutory general reserve	23,488	20,926
Retained earnings	36,356	31,998
TOTAL EQUITY	163,384	129,929
TOTAL LIABILITIES AND EQUITY	2,248,101	2,019,244

The financial statements were approved by the board of directors on 29 March 2022:

Zhang Rongsen
President

Liu Long
Principal in-charge of Finance

Jing Feng
Chief Finance Officer

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

1 Illustration of Differences between the Financial Statements Prepared Under IFRSs and Those Prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the Bank under IFRSs and PRC GAAP for the year ended 31 December 2021 (for the year ended 31 December 2020: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRSs and PRC GAAP at 31 December 2021 (31 December 2020: no differences).

2 Liquidity Coverage Ratio

	31 December 2021	31 December 2020
Liquidity Coverage Ratio	163.50%	111.49%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the CBIRC.

3 International Claims

The Group is principally engaged in business operations within Mainland China. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

3 International Claims (continued)

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

At 31 December 2021	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	6,407	6,356	48,633	61,396
Asia Pacific excluding Mainland China	13,485	1,085	29,852	44,422
– of which attributed to Hong Kong	6,226	1,085	29,532	36,843
Europe	2,644	–	857	3,501
North America	6,131	5,337	364	11,832
Oceania	221	–	–	221
Total	28,888	12,778	79,706	121,372
At 31 December 2020	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	8,255	3,255	23,660	35,170
Asia Pacific excluding Mainland China	9,409	226	18,804	28,439
– of which attributed to Hong Kong	7,661	226	18,804	26,691
Europe	307	–	–	307
North America	7,500	719	3,104	11,323
Oceania	130	–	–	130
Total	25,601	4,200	45,568	75,369

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	RMB Equivalent			Total
	USD	HKD	Others	
At 31 December 2021				
Spot assets	104,174	9,339	8,879	122,392
Spot liabilities	(80,891)	(3,676)	(4,699)	(89,266)
Forward purchases	303,133	1,528	25,940	330,601
Forward sales	(339,516)	(269)	(27,217)	(367,002)
Net options position	(8,272)	-	(1,703)	(9,975)
Net (short)/long position	(21,372)	6,922	1,200	(13,250)
	USD	RMB Equivalent HKD	Others	Total
At 31 December 2020				
Spot assets	66,884	6,254	2,774	75,912
Spot liabilities	(40,289)	(1,247)	(1,457)	(42,993)
Forward purchases	304,109	1,111	17,487	322,707
Forward sales	(318,334)	-	(14,705)	(333,039)
Net options position	(4,859)	-	45	(4,814)
Net long position	7,511	6,118	4,144	17,773

5 Non-bank Mainland China Exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. At 31 December 2021, the Group's non-bank exposures are substantially arising from businesses with Mainland China corporates and individuals.

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