

PING AN

Finance · Technology

Expertise Makes Life Simple

PING AN BANK

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— Together To be better —



Annual Report 2021

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Important Notes

1. The Board of Directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the 2021 Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly take responsibilities for its contents.
2. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Vice President and the Chief Financial Officer) and Zhu Peiqing (the head of the Accounting Department) guarantee the authenticity, accuracy and completeness of the financial report included in this Annual Report.
3. The 29th meeting of the 11th session of the Board of the Bank deliberated the 2021 Annual Report together with its summary. The quorum of the Board meeting is 14, and 14 directors attended the Board meeting. The 2021 Annual Report was approved unanimously at the meeting.
4. The 2021 annual financial reports prepared by the Bank were audited by Ernst & Young Hua Ming LLP ((hereinafter referred to as “EY”) according to the China Standards on Auditing and EY issued a standard unqualified auditor’s report.
5. The forward-looking statements such as plans for the future involved in the Report do not constitute a substantial commitment for investors. Investors and stakeholders shall be aware of risks therein and appreciate the distinctions between plans, forecasts and commitments.
6. The Bank advises investors to read the full text of the 2021 Annual Report with particular attention to the following risk factors: the risks the Bank is exposed to during its business activities mainly include credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk on its banking account, reputation risk, strategic risk, information technology risk and legal and compliance risk, and the Bank has taken various measures to effectively manage and control these business risks, as discussed in detail under Section III 3.6 Risk Management.
7. The Bank’s profit distribution proposal of ordinary shares which has been approved at the Board meeting is based on the total share capital of 19,405,918,198 shares as at 31 December 2021. Cash dividends of RMB2.28 (tax inclusive) will be distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital.

Interpretations

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

Chairman's Statement

Believe in action and renew the future

For Ping An Bank's 5th Anniversary of Transformation

Time flies, and 2021 has passed. In the past year, the international situation was complicated, but under the right leadership of the Communist Party of China, our country has set out on a new journey of building a modern socialist country in all respects and is making confident strides on the path toward the great rejuvenation of the Chinese nation.

In the tide of history, the replacement of old growth drivers with new ones and the industrial structure upgrading are accelerating. As the bloodline for real economy operation, financial institutions have been finding the most appropriate development path. They should not only conform to the general trend of the country, but also meet their own endowments and realize commercial value to achieve a win-win situation for multiple parties. **Ping An Bank chose to carry out "retail transformation".**

From a macro perspective, this measure responds to the domestic circulation strategy and aims to drive economic growth by boosting consumption and domestic demand. **From the perspective of business characteristics**, retail business is risk-resistant and does not have a strong cyclical nature, so it can smooth fluctuations in the economic cycle. **From the perspective of differentiated advantages**, backed by the comprehensive finance group, Ping An Bank has a huge customer base and sales network as well as a solid scientific and technological foundation, demonstrating an engraved "retail gene".

With the opportunity of the right time, place and people, Ping An Bank fully launched retail transformation in October 2016. Now is the end of its first five years. Time flies, but looking back on the five years, I still feel that a lot has been achieved. During the transformation, there are many challenges. However, thanks to the comprehensive finance and technological empowerment advantages of Ping An Group, thanks to the strategic determination and correct path of retail transformation, and thanks to the firm implementation across the whole Bank, Ping An Bank has acquired a completely new outlook and is full of hope after five years.

In 2021, Ping An Bank recorded total assets of nearly RMB5 trillion, the operating income was RMB169,383 million, with a year-on-year increase of 10.3%; the net profit was RMB36,336 million, with a year-on-year increase of 25.6%; the non-performing loan ratio was 1.02%, a decrease of 0.72 percentage point compared with the end of 2016; the provision coverage ratio was 288.42%, an increase of 133.05 percentage points compared with the end of 2016; the capital adequacy ratio met regulatory requirements.

There are too many performance indicators to enumerate. Looking back on the past five years, Ping An Bank also underwent some profound changes.

The Bank's business structure was fully optimized. During the transformation in the past five years, in the first two years, only the retail business thrived, but later corporate and interbank business caught up. At present, in terms of performance contribution and resource allocation proportion, Ping An Bank has formed a dynamic and balanced pattern of 60% retail business and 40% corporate business. Not only did the retail banking show distinctive features, but also various business segments flourished, jointly driving the overall business of the whole Bank to increase.

Xie Yonglin

PING AN BANK Chairman



Chairman's Statement

The Bank's development foundation was fully consolidated. At the end of the five years, the burden of non-performing assets was completely removed, and the provision coverage ratio reached a record high, representing improved risk resistance capability of the whole Bank; customer and deposit indicators reflecting the fundamentals of the Bank improved significantly and showed a trend of accelerated optimization; technological capabilities were comprehensively applied to business, risk, operation, management and other aspects, and efforts in digital operation have been improving productivity, resulting in reduced costs and controllable risk. In 2021, the cost/income ratio was 28.30%, a year-on-year decrease of 0.81 percentage point. This is quite difficult for a bank focusing on retail business.

The teams' spiritual outlook was fully improved. There is a saying in Ping An Bank that "first-class strategy and second-class execution" are not as good as "second-class strategy and first-class execution". In the final analysis, people are the most fundamental wealth of an organization. In the past five-year transformation, reducing risky assets with the firm and indomitable spirits, launching brand new APP within 100 days deadline, rapidly achieving breakthroughs in retail banking against all pressure, and exploring new patterns for the corporate business with new paths, all these firm actions were backed up by an elite team with cohesion, belief, and execution.

It should be mentioned that these deep changes not only drove Ping An Bank to rejuvenation in just five years, but more importantly, these changes already had contained the sustainable and predictable development momentum for the next five years, the second growth curve of the Bank has been identified and verified.

Continuously deepening the "five-in-one" model in the retail business, the Bank continues to extend its private banking and wealth management services to the massive customer groups through technological strength, it is not only a requirement to practice inclusive finance but also an effective measure to acquire customers, activate customers with low-cost and increase values, creating a healthy and stable customer group structure with upward mobility. This model had achieved a good result in the trial phase in 2021, the growth of customers with ten-thousand-yuan and fifty-thousand-yuan had substantially increased as compared with the same period of last year. It is foreseeable that this model will constantly drive the retail business forward in the new five years.

Adhering to the two racing tracks of the corporate business. The first track is being a technology-empowered transaction bank, it continues to deploy IoT technology, places high-quality assets along the supply chain, and seeks the fundamental way to solve the financing problems of small and micro enterprises; the second track is the complex investment and financing businesses driven by comprehensive finance, it grasps the capital market development opportunities, and makes rapid breakthroughs in new energy, high-end manufacturing, and other fields of specialization, refinement, differentiation and innovation with "direct financing + indirect financing" and ecological win-win thinking.

Further strengthening open and empowering mindset while accelerating localization of international capability for interbank capital business. The Bank empowers small and middle-sized financial institutions to improve their operational efficiency, empowers small and middle-sized enterprises to help them avoid risk

effectively. We hope that our innovation and exploration will not only generate economic benefits but also bring greater social value.

Refinement of basic capabilities keeping away from relaxation while business strategies continuously upgrading. For risk, we continue to stick to the prudent principle, and constantly explore the innovative models in the new fields together with the businesses. For technology, we further accelerate the upgrading from empowerment to guidance. We also continuously promote the rejuvenation of cadres, enhance the backbone force, and reserve unlimited possibilities for the next development stage.

In the past five years, our focus had been on intensifying the foundation, adjusting the structure, seeking breakthroughs, and "crossing the river by feeling the stones", ultimately living up to the expectations of shareholders, customers and the market. In the period of the second five-year transformation, the new Ping An Bank is like a vigorous young man with strong muscles and bones, youthful spirit and a promising future. On the basis of a more stable and solid foundation, we are full of confidence and energy, will continue to adhere to the strategic determination of retail transformation. stick to the two major advantages of comprehensive finance and technology empowerment, persist in the organic combination of commercial value and social value, and go all out to resonate with the tempo of the era, marching forward together with the nation!

Company Profile

1.1 Company profile

1.1.1 Company information

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

1.1.2 Contact information

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

1.1.3 Information disclosure and filing location

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

Company Profile

1.1 Company profile (Continued)

1.1.4 Change of registered information

Organisation Code	91440300192185379H(Unified social credit code)
Change of main business after listing (if any)	None
Changes of all previous controlling shareholders	<p>China Ping An is the controlling shareholder of the Bank.</p> <p>In May 2010, Newbridge Asia AIV III, L.P. (“Newbridge”), the then largest shareholder of the Bank, transferred all of its 520,414,439 shares of the Bank to China Ping An. In June 2010, the Bank issued 379,580,000 shares in a non-public manner to Ping An Life Insurance, a holding subsidiary of China Ping An. After the issuance, China Ping An and its holding subsidiary Ping An Life Insurance held a total of 1,045,322,687 shares of the Bank, approximately accounting for 29.99% of the total issued share capital of the Bank.</p> <p>In July 2011, the Bank completed the issuance of 1,638,336,654 shares to China Ping An to purchase 7,825,181,106 shares of Ping An Bank formerly held by it and raise RMB2,690,052,300 for its major asset reorganisation. After the completion of the major asset reorganisation, the total share capital of the Bank increased to 5,123,350,416 shares. China Ping An and its holding subsidiary Ping An Life Insurance held a total of 52.38% of the shares of the Bank and became the controlling shareholders of the Bank.</p> <p>In December 2013, the Bank issued 1,323,384,991 shares to China Ping An in a non-public manner. After the issuance, the total share capital of the Bank increased to 9,520,745,656 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 59% of the shares of the Bank, were the controlling shareholders of the Bank.</p> <p>In May 2015, the Bank issued 598,802,395 shares of the ordinary shares to eligible domestic investors in a non-public manner, and China Ping An subscribed 210,206,652 shares. After the issuance, the total share capital of the Bank increased to 14,308,676,139 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.</p> <p>In January 2019, the Bank made a public issuance of RMB26 billion of convertible corporate bonds. China Ping An and Ping An Life Insurance, as shareholders of the Bank, had the priority in placement in full amount. In August 2019, the Bank exercised the conditional right to redeem the convertible corporate bonds. Due to the conversion of convertible bonds, the total share capital of the Bank increased from 17,170,411,366 shares to 19,405,918,198 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.</p>

1.1.5 Others relevant information

Accounting firm employed by the company

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

1.2 Main businesses of the company during the reporting period

2021 was a milestone year in the history of the CPC (Communist Party of China) and the nation, the nation calmly addressed the major changes and a pandemic both unseen in a century, strived to accomplish the arduous task of reform and development, and achieved a good start of the 14th Five-Year Plan, maintaining a global leading position of economic development. By following the national strategy, the banking industry actively implements all the policy decisions of the CPC Central Committee and the State Council, continuously gives priority to serving the real economy and safeguarding the national interest and people's well-being, sticks to the general tone of seeking improvement in a stable way, continues to promote the financial supply side reform, improve its capability of financial service to the real economy and enhance the support to private enterprises, small and micro enterprises, manufacturing and technological enterprises, actively practices inclusive finance, vigorously supports the revitalization of rural areas, actively practices green finance, holistically strengthens the use of financial technology, deepens digital operations, strengthens financial risk prevention and control, and comprehensively helps to establish a "dual circulation" development pattern in which domestic economic cycle plays a leading role while domestic and international markets can promote each other.

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

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

1.3 Development strategy and core competence of the Bank

1.3.1 Development strategy of the Bank

Aiming at the strategic goal of being a "China's most outstanding, world-leading smart retail bank", the Bank upholds the strategic principle of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking", continues to deepen strategic transformation, and strives to build its three business cards of "a digital bank, an ecosystem and a platform". On the basis of building the "3 + 2 + 1" operation system respectively for the retail business, the corporate business and the interbank capital business, the Bank continuously upgrades its strategy, deepens holistic digital operation, and "reshapes asset-liability structure operation". At the same time, the Bank comprehensively enhances the ability to support consumption and serve micro, small and medium-sized enterprises, continuously and vigorously supports rural revitalization, practices green finance, constantly supports private, small and micro enterprises, and manufacturing and technological enterprises, and contributes its financial strength to the implementation of the 14th Five-Year Plan.

(1) Being technology-driven

Attaching great importance to technology-driven, the Bank applies cutting-edge technologies to service, marketing, risk control, operational support and management empowerment. By creating the capabilities of technology, data, agility, talent and innovation, it provides support to the digital operation, promotes technological capabilities to enter the top position among joint-stock banks, infusing powerful technology energy into the strategic transformation.

"Five leading scientific and technological capabilities" >>>>

Technology capability

Driving comprehensive upgrades of technology capability through architecture transformation, the Bank puts efforts in promoting technological upgrades including new generation infrastructure, distributed system, technology middle office, and development of integration of operation and maintenance to build a strong technological base. By building a distributed architecture technology system, the Bank promotes the transformation of technology architecture from the traditional centrally deployed structure to distributed and CloudNative-based technologies. By creating an enterprise-level technology middle office, it intensifies the research on leading technologies and forms a highly reusable and sharing technological platform to enhance enterprise-level architecture support capabilities. The Bank constructs an integration platform of development and maintenance, continuously improves the collaboration between development teams and operation and maintenance teams, and the efficiency of delivering applications.

Data capability

Improving basic data management level and data service level by data capitalized management and construction of data middle office respectively, the Bank comprehensively improves data capability to provide a powerful data engine for business development and operating management. The Bank strengthens data governance, and increases the standardization, labeling and granulation level of the underlying data, so as to improve data quality in all respects. The Bank also builds data capitalized management system, releases the value potential of data elements, and empowers operating management to improve quality and efficiency. Furthermore, the Bank constructs the platform-based data capabilities and data middle office, deepens data application to realise data empowerment and data-driven operation management to be earlier in capturing information, decision-making and taking actions at the decision-making level, to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level.

Agility capability

The Bank updates the technology governance model and further reforms to become more flexible. It also cultivates agile culture, tightens the ties between technology and business, organises the agile team, hastens the pace of product development and iteration, and promotes delivery quality and customer experience in an all-around way. Enabled by

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

1.3.1 Development strategy of the Bank(Continued)

(1) Being technology-driven(Continued)

technology and business, the technology teams have gradually transformed from technical service providers to business partners, the delivery of technology products has gradually transformed from efficiency-oriented to value and effectiveness-oriented.

Talent capability

Benchmarking with the leading Internet technology companies, the Bank makes forward-looking scientific and technical human resource planning. In addition, the Bank also establishes a competitive salary system and incentive mechanism to create a good career development channel for scientific and technical personnel. The Bank continues to bring in global top technology elites, forms leading talent teams in financial technology and accelerates the construction of "Finance + Technology" compound talent team, so as to forge a talent team with proficiency in technology, business and management.

Innovation capability

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

(2) Pursuing breakthroughs in retail banking

The Bank continues to advance transformation and upgrade in retail business, deeply implements the "3 + 2 + 1" operation strategy in retail business, promotes to upgrade and breakthrough in three business modules of "basic retail, private banking and wealth management, and consumer finance", focuses on the improvement of two core capabilities of "risk control and cost control", strives to promote the construction and operation of "one ecosystem" with AI Bank as its core and open banking as its extension. On the basis of that, it upgrades and iterates the "five-in-one" new model in which combining open bank, AI bank, remote bank, offline bank and comprehensive bank with interconnection and organic integration, constantly enhances technology-driven, promotes business mode reform, creates "warm" financial services, and infuses new energy into retail business for its continuous breakthrough and development. Meanwhile, leveraging the innovation and upgrading in business modes, the Bank practised the original true aspiration and mission of financial service to the real economy and service benefiting people's well-being.

"Five-in-one" new model in retail business >>>

The "five-in-one" new model is a combination of innovation and upgrading of the retail business development strategy and operational strategy. It consists of five elements, namely open bank, AI bank, remote bank, offline bank and comprehensive bank, which are interconnected and integrated to form an organic system. The open bank is the "flow pool" for the development of retail business, which approaches to broader customer groups by connecting to external scenarios; the "AI+T+Offline" (AI bank+Remote bank+Offline bank) is the operation chain and service network, which realises high efficiency

and quality service and management for customers and creates a "warm" portable bank through intelligent and integrative service matrix; the comprehensive bank is the driver for the development of retail business, which provides customers with comprehensive financial and lifestyle solutions by integrating basic service capability, and forming a closed-loop of data in the process to promote self-driven iteration of the "five-in-one" model.

Open bank. Adhering to the combination of "going out" and "bring in", the Bank achieves "joint efforts to operate, to construct ecology and to assist entities" through platform cooperation between the open bank and scenario providers that makes the financial services "everywhere, capable of doing anything and caring in any possible ways", to create a new growth pole in retail business.

Carry-on bank. Creating an intelligent service matrix of "AI+T+Offline"-"carry-on bank", the Bank strives to build a market-leading intelligent customer management system that takes into account both professionalism and "warm" service. Based on customers' whole life cycle journey with the Bank, it provides the most suitable and accompanying financial services to every customer in an instant, comfortable and ready form with professional and exclusive management by designated personnel, so as to benefit all the people with the "warm" and high-quality financial services.

Comprehensive bank. Constructing the middle office of product, benefit, technology, risk and data in retail business, the Bank digitalises and modularises basic product, service capability and customer portrait, and provides customers with high-quality comprehensive financial and lifestyle solutions with the characteristics of one-stop, full package and coordinated sequence, so as to improve the customers' comprehensive service experience.

Using customer-centric and data-driven as its core, the "five-in-one" new model is devoted to build the capability of providing warm and excellent retail financial services and benefits tens of thousands of families with superior financial products and services.

(3) Reinventing its corporate banking

(1)Corporate business

Concentrating on the three main directions of "expanding customer scale, optimising asset and liability structure and improving operation quality", the Bank adheres to practise the "3 + 2 +1" corporate business strategy, namely that persists in industrialised, professional and specialised development road, focuses on three business pillars of "industry bank, transaction bank and comprehensive finance", strengthens two core customer groups of "strategic customers and small and micro customers" with customer-centric and industrialisation as its orientation, strictly maintains "one lifeline" of asset quality through adhering to take the sustainable and high-quality development road and transforming risk philosophy from managing and controlling risk to actively managing risk. Meanwhile, the Bank continues to give full play to its unique advantages in comprehensive finance and financial technology, strives to build its "five trump cards" of supply chain finance, bill integration, customer management platform, complex investment and financing, and ecological comprehensive expansion, and helps the implementation of the "3+2+1" operational strategy.

"Five trump cards" for corporate banking >>>

Supply chain finance. The Bank gives full play to the advantages of "finance + technology", leverages the massive data of the "Nebula-IoT platform", supplements secured and pledges credits with digital credits, and helps with the difficulty and high costs in the financing of micro, small and medium-sized customer groups. By innovating and iterating financing products and modes, and improving online, modularised and automated service capability and "supply chain+" product portfolio capability, the Bank strives to meet customers' increasingly scenarized, diversified, and personalised needs for supply chain finance, facilitates the development of the real economy, and reshapes the brand of supply chain finance.

Bill integration. Innovating and upgrading its products and services, and optimising online business procedures, the Bank initiates the new business model of "bill + open bank", unites the channels such as external core enterprise platform and

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

1.3.1 Development strategy of the Bank(Continued)

(3) Reinventing its corporate banking(Continued)

(1)Corporate business(Continued)

B2B platform, strengthens its capability of approaching and service to strategic customer groups, and micro, small and medium-sized customer groups to achieve rapid growth in bill discounting and the number of customers. Through linkage management of “direct discount and transfer discount”, the Bank effectively reduces customers’ financing costs while gradually improving the comprehensive return on assets through high-efficiency transaction capability, so as to provide a leading financial bill service in the industry with excellent experience and strong innonvative ability.

Customer management platform. The Bank makes Digital Pocket its operational portal for bulk customer acquisition for micro, small and medium-sized customer groups, serves micro, small and medium-sized customer groups through diversified operations in designated regions and completed customer benefits system, achieving rapid growth of registered operation users. Creatively establishing the value evaluation system for corporate customers and layered operation system, the Bank improves the users’ activeness, and facilitates the improvement of user value. It makes use of the digital treasury management platform for medium and big customers service through functions integration and modularised service output, providing strategic customer groups with all-in-one solutions of business, capital and tax to increase their stickiness. Through such upgraded and optimised platforms (Digital Pocket and digital treasury) and using open banking as a link, the Bank openly exploits, in a modularised and standardised manner, its financial and technical capabilities and embeds such capabilities in scenarios, to build Nebula open alliance, and establish an all-round and integrated customer management platform through enhancing external ecological cooperation and ecological management on micro, small and medium -sized customer groups and strategic customer groups.

Complex investment and financing. Cooperating with the professional subsidiaries within Ping An Group, the Bank creates the model of “commercial bank + investment bank + investment” and forms four moats in complex investment and financing including favorable prices, fast implementation, complete range of products and unique solutions. By thoroughly linking among industry bank, investment bank and Group Comprehensive Finance Development Committee (GCFDC), it constructs a group of ecosystems in investment and financing including real estate ecosystem, auto ecosystem, infrastructure ecosystem and capital market to meet customers’ diversified and customised needs.

Ecological comprehensive expansion. As an engine of Ping An Group’s comprehensive finance (1+ N) business, the Bank explores the channel value for the corporate businesses by creating “ecological comprehensive expansion”, creates a product and service portfolio using “comprehensive finance and technology”, and connects the products and services from internal and external resources of Ping An Group to meet the diversified needs of various customers with its integrative capability. The Bank also focuses on comprehensive finance scenarios, and empowers customer management.

“Five trump cards” will fully promote the operation strategy of “3+2+1” and provide a solid support for building “China’s most outstanding, world’s leading smart retail bank”.

(2)Interbank capital business

Adhering to the concept of “serving the financial market, serving interbank customers and serving the real economy” and deepening the “3 + 2 + 1” business strategy, the Bank centres on the three major business lines of “new transactions, new interbank and new asset management”, continues to improve the two core capabilities of “sales and transaction”, deepens the application of fintech in “one intelligent treasury system platform”. Meanwhile, it puts effort into developing business characteristics and professional advantages to create five golden business cards, namely “the industry’s top financial trading expert”, “the industry’s first-class risk avoidance expert”, “the leading service provider of institutional sales for financial products”, “the leading trusteeship bank of digital ecosystem” and “the open wealth management platform with the most comprehensive categories”, makes the digital operation more effective, and serves the real economy with better quality, so as to realise more robust and high quality development.

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

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

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

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

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

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

1.3.2 Core competence of the Bank

Clearly targeted development strategy. Closely following the national strategy, actively implementing the decisions and arrangements of CPC Central Committee and the State Council, staying within the trend of the era, the Bank gives full play to its own advantages, adheres to “customer-centric”, persists in the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, strives to build its three business cards of “a digital bank, an ecosystem and a platform”, constantly upgrades its strategy on basis of building “3 + 2 + 1” operational strategy for the retail business, the corporate business and interbank capital business, holistically deepens fully digital operation, and strives to become a “China’s most outstanding, world-leading smart retail bank”.

Advantageous comprehensive finance. Based on the close combination of Ping An Group’s strong brand influence, cutting-edge operation management concept, huge individual customer base, perfect marketing channels, a completed set of financial licenses and other advantages with its actual situations, with resource coordination and cooperative interaction, the Bank develops a unique comprehensive financial advantage in the industry, establishes an integrated “on-line + off-line”, “finance + technology + ecology” comprehensive financial product system and service platform, forms a whole set of an internal organisation management model that meets the requirements of comprehensive financial development, and builds a comprehensive financial operation mechanism with unique Ping An characteristics and industry competitiveness through resource integration and coordination, opening up a broad space for the transformation and development of various businesses.

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

1.3.2 Core competence of the Bank(Continued)

Inherent innovation culture. The Bank has “innovation” in its DNA, which has penetrated into every aspect of the organisation. Since its establishment, the “Innovation Committee” has enhanced the ability to organise to promote innovation. With strong resource coordination and integration capabilities, it can flexibly coordinate all resources at the bank level, promote cross-line and cross-function resource management, allocation and integration, so as to gradually implement the innovation work and achieve practical results. In addition, the Bank has also set up a series of mechanisms that are conducive to innovation (e.g. the “agile organisation”, “innovation garage”, “innovation competition”) and continuously improved and optimised these mechanisms to arouse the enthusiasm and potential for innovation of employees across the Bank, thereby emerging and rapid iteration of various innovations in thinking, products, mechanisms are promoted, providing strong support for timely response to quick changes in the external environment and the fulfilment of customers’ increasingly financial needs.

Strong and efficient execution capability. The Bank always highly attaches great importance to a culture of excellence in execution to ensure the efficient achievement of strategic goals and prevention of strategic risk through high efficient execution capability. The Bank actively promotes the value-oriented performance assessment, and closely connects the target setting, work tracking, effect evaluation and the whole assessment process to build a scientific, fair and transparent performance assessment system and results utilisation model, which plays a great role in enhancing the execution capabilities of the teams and individuals, and effectively promoting the timely and efficient implementation of the Bank’s development strategies.

Excellent and predominant financial technology. Upholding the principle of “being technology-driven”, the Bank drives its business development and digital operation by cutting-edge technology. It advances distributed transformation of technical architecture, enhances enterprise-level structure support capability, so as to create a leading technical capability. By constructing the platform-based data capabilities, the Bank empowers the operation management through data to be earlier in capturing information, decision-making and taking actions at the decision-making level, to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level, so as to create a leading data-driven capability. Adhering to agile transformation, the Bank deepens the ties between technology and business, and realises the dual motivation by technology and business to create a leading agile capability. The Bank also cultivates a team with high-quality financial technology talents at home and attracts compound high-end technical talents at abroad to create a leading talent capability. Furthermore, the Bank motivates the staff’s innovative vitality and improves their consciousness of innovation to create a leading innovation capability. Through building the “five leading scientific and technological capabilities”, the Bank assists in its product innovation, customer service, business operation and risk control to comprehensively forge core competence in science and technology.

Intelligent and convenient retail banking. Relying on Ping An Group’s comprehensive financial advantages, the Bank utilises technology to empower retail banking transformation, and deeply implements the “five-in-one” new model to forge warm financial services. First, the Bank fully upgrades open banking, constructs an open banking ecosystem through platform cooperation with scenario providers, and makes the customer services “everywhere, capable of doing anything and caring in any possible ways” through full scenario-based operations. Second, the Bank creates the human-machine cooperative service model of “AI + T + Offline”, promotes three service channels’ seamless connection and integration including AI platform such as Pocket Bank APP, professional remote teams and new retail outlets based on customers’ whole life cycle journey to create “carry-on bank”, and provides the most suitable and accompanying financial services to every customer in an instant, comfortable and ready form with professional and exclusive management by designated personnel. Third, the Bank upgrades comprehensive bank in an all-round way, connects customers’ life with their financial services, and provides customers with high-quality comprehensive financial and life solutions in the manner of one-stop, full package coordinated sequence.

Specialised and strong corporate banking. Adhering to the customer-centric business philosophy, and concentrating on the three main directions of “expanding customer scale, optimising asset and liability structure and improving operation quality”, the Bank continues to upgrade the three business pillars of “industry banking, transaction banking and comprehensive

finance” based on customers’ needs. Moreover, based on looking deep into the industrial chain, it realises specialised tiered customer management, constantly innovates scenarios, reshapes online, mode-based and automated business processes, and comprehensively upgrades services to enhance its “five trump cards” in corporate business. In so doing, the Bank can realise the optimisation of its operation scope, customer base and income composition, promotes the operating transformation from massive users to customers, continues to increase the proportion of demand deposits, and optimises liability costs, forming a differentiated advantage with unique Ping An characteristics.

Taken new steps in interbank capital business. Following the financial service needs of new economy, new form of industry, new technology and new model in interbank capital business, the Bank has built a smart capital system platform that can compete on the international level, it also has launched innovative risk avoidance service for micro, small and middle-sized enterprises, constructed an interbank ecological cooperation platform of “Hang-E-Tong” in opened and mutually beneficial ways, and upgraded effective and safe ecological service platform of “investment, financing and trusteeship”, driving business agility through technology agility. The Bank’s interbank capital business gives full play to the linked service model of “five golden business cards”, to expand its ecosystem and deepen the customer relationships. Creating the top sales and trading capabilities with leading technologies and serving customers with top sales and trading capabilities have become the Bank’s unique competence in interbank capital business.

Company Profile

1.4 Honours and awards

In 2021, the honours and awards the Bank won from domestic and foreign institutions are as follow:

February

- In February 2021, the private banking of the Bank was named as “China Best Family Office” award in the “Global Private Banking and Wealth Management Poll 2021” issued by *Euromoney*;

March

- In March 2021, the Bank was named as “Asia’s Leader in Open Banking” award in the IDC Financial Insights Innovation Awards in Asia/Pacific Region hosted by IDC Financial Insights;
- In March 2021, the credit card of the Bank was named as “Most Creative Customer Service Award” in the Financial Service Innovation and Customer Experience Summit 2021 hosted by Shanghai Shine Consultant Co., Ltd;

April

- In April 2021, the private bank of the Bank won two awards, including “Entrepreneur Customer Service” and “Best Digital Bank” in “China Fortune Awards” held by Asian Private Banker;

June

- In June 2021, the Bank won “Best Transaction Bank for Technology” award, and its Digital Pocket APP won “Best Transaction Bank for Mobile Banking Service” award in Best Transaction Banks in China Award 2021 hosted by *Asiamoney*;

July

- In July 2021, the Bank won three awards, including “Most Honoured Company”, “ Best Investor Relations Company”, and “ Best Environment, Social and Governance” awards in the results of Asia/Pacific Region Awards issued by *Institutional Investor*;
- In July 2021, the Bank’s Nebula-IoT platform won “China Best IoT Application Award”, and its “Ping An Car Owner Loan” won “China Best Car Loan Product” award in the awarding ceremony of China Future Financial Summit 2021& China Awards Programme hosted by *Asian Bankers*;

September

- In September 2021, the Bank was named as “The Best Listed Company” in the 3rd year list of The Best Listed Companies issued by *New Fortune*, Mr. Xie Yonglin, the Bank’s Chairman, was awarded as “The Best Pilot of Listed Company”;

November

- In November 2021, the Bank won “Inclusive Financial Business Bank 2021” award issued by *21st Century Business Herald*;
- In November 2021, the Bank won “Excellent Competence Consumer Finance Bank” award issued by *China Business Journal*;
- In November 2021, the private bank of the Bank was named as “Best Private Bank for Innovation in Technology” award and “Best Growing Competence Private Bank” in “Asia Private Banking Award 2021” issued by *Asiamoney*;
- In November 2021, the Bank won “The Best Auto Finance Service Bank 2021” award in China Automotive Industry Summit 2021hosted by *21st Century Business Herald and China Auto Finance*;

December

- In December 2021, the Bank was named as “2021 Outstanding Special Asset Ecological Construction Award” in 2021 Sustainable Development Summit & Evergreen Awards hosted by *Caijing*;
- In December 2021, the Bank’s “Shenzhen Intelligent Pension Yinian Card” project, “ New core system for credit cards based on distributed PaaS platform”, and “Nebula IoT platform” won the first prize, the third prize, and Excellent Award respectively during 2020 Shenzhen Finance Innovation Awards Result Show & 2021 Finance Lecture Hall in the Pilot Demonstration Area.
- In December 2021, the Bank’s “new core system of credit card A+”, “Nebula IoT platform”, and “smart financial platform” and “smart special asset management platform” won the first prize, the second prize and the third prize respectively in 2020 Fintech Development Awards hosted by People’s Bank of China and China Securities Regulatory Commission.

Accounting Data and Financial Indicators

2.1 Key indicators

(In RMB million)

Item	2021	2020	Year-on-year change
Operating income	169,383	153,542	10.3%
Net profit attributable to shareholders of the Bank	36,336	28,928	25.6%
Cost/income ratio	28.30%	29.11%	-0.81 percentage points
Average return on total assets	0.77%	0.69%	+0.08 percentage points
Weighted average return on net assets	10.85%	9.58%	+1.27 percentage points
NIM	2.79%	2.88%	-0.09 percentage points
Proportion of net non-interest income	28.96%	26.10%	+2.86 percentage points
	31 December 2021	31 December 2020	Change at the year-end from the end of last year
Deposit principals from customers	2,961,819	2,673,118	10.8%
Total principals of loans and advances to customers	3,063,448	2,666,297	14.9%
Non-performing loan (NPL) ratio	1.02%	1.18%	-0.16 percentage points
Provision coverage ratio	288.42%	201.40%	+87.02 percentage points
Deviation ratio of loans overdue for more than 60 days	0.85	0.92	-0.07
Capital adequacy ratio	13.34%	13.29%	+0.05 percentage points

2.2 Key accounting data and financial indicators

Whether the company needs to adjust or restate prior years' figures retrospectively

☐ Yes ☒ No

(In RMB million)

Item	2021 31 December 2021	2020 31 December 2021	2019 31 December 2021	Change at the year-end from the end of last year
Total assets	4,921,380	4,468,514	3,939,070	10.1%
Shareholders' equity	395,448	364,131	312,983	8.6%
Shareholders' equity attributable to ordinary shareholders of the Bank	325,504	294,187	273,035	10.6%
Share capital	19,406	19,406	19,406	-
Net asset per share attributable to ordinary shareholders of the Bank (RMB/share)	16.77	15.16	14.07	10.6%

Item	2021	2020	2019	Year-on-year change
Operating income	169,383	153,542	137,958	10.3%
Operating profit before impairment losses on credit and other assets	119,802	107,327	95,816	11.6%
Impairment losses on credit and other assets	73,817	70,418	59,527	4.8%
Operating profit	45,985	36,909	36,289	24.6%
Profit before tax	45,879	36,754	36,240	24.8%
Net profit attributable to shareholders of the Bank	36,336	28,928	28,195	25.6%
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	36,230	28,840	28,086	25.6%
Net cash flows from operating activities	(192,733)	(16,161)	(40,025)	Negative amount for last year
Ratio per share (RMB/share):				
Basic earnings per share (EPS)	1.73	1.40	1.54	23.6%
Diluted earnings per share (EPS)	1.73	1.40	1.45	23.6%
Basic EPS after non-recurring gains/losses	1.72	1.40	1.53	22.9%
Diluted EPS after non-recurring gains/losses	1.72	1.40	1.44	22.9%
Net cash flows from operating activities per share	(9.93)	(0.83)	(2.06)	Negative amount for last year

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators (Continued)

Item	2020	2019	2018	Year-on-year change
Financial ratios (%):				
Return on total assets	0.74	0.65	0.72	+0.09 percentage points
Average return on total assets	0.77	0.69	0.77	+0.08 percentage points
Weighted average return on net assets	10.85	9.58	11.30	+1.27 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	10.82	9.55	11.25	+1.27 percentage points

Note:

(1) The return on net assets and EPS indicators are calculated in accordance with *the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* (《公開發行證券的公司信息披露編報規則第 9 號—淨資產收益率和每股收益的計算及披露》(2010 年修訂)) and *Accounting Standards for Business Enterprises No. 34 - Earnings per Share* (《企業會計準則第 34 號——每股收益》).

The Bank issued non-cumulative preference shares of RMB20 billion in private placement on 7 March 2016 and non-fixed term capital bonds ("Perpetual Bond") of RMB20 billion and RMB30 billion respectively in December 2019 and in February 2020, which are all classified as other equity instruments. In the calculation of the "weighted average return on net assets" and "EPS", the paid dividends on preference shares of RMB874 million and the interests on perpetual bonds of RMB1,975 million has been deducted from the "Net profit attributable to shareholders of the Bank".

(2) In accordance with the *Circular on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the Work on the 2020 Annual Reports of Enterprises* (Cai Kuai [2021] No.2)(《關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知》(財會[2021]2 號)) issued by the Ministry of Finance, and other ministries of China on 5 February 2021, the Bank reclassified credit card instalment business income from fee and commission income into interest income, and the comparative period data of relevant financial indicators has been restated.

If the lower of the net profit before and after deducting non-recurring gains or losses for three consecutive fiscal years are negative, and the audit report of the last year shows that there is uncertainty in the company's ability to continue as a going concern, the company's stock trading will be implemented by other risk warnings.

☐ Yes ☒ No

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

☐ Yes ☒ No

Total share capital of the company as at the trading day prior to disclosure

Total share capital of the company as at the trading day prior to disclosure (in shares)	19,405,918,198
Dividends paid for preference shares (RMB)	874,000,000
Interest paid for Perpetual Bond (RMB)	1,975,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share)	1.73

Accounting data differences under domestic and overseas accounting standards

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2021	Second Quarter of 2021	Third Quarter of 2021	Fourth Quarter of 2021
Operating income	41,788	42,892	42,510	42,193
Net profit attributable to shareholders of the Bank	10,132	7,451	11,552	7,201
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	10,111	7,400	11,481	7,238
Net cash flows from operating activities	(11,553)	(104,419)	(9,836)	(66,925)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the company?

☐ Yes ☒ No

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators (Continued)

Information of loans and deposits

(In RMB million)

Item	31 December 2021	31 December 2020	31 December 2019	Change at the year-end from the end of last year
Deposit principals from customers	2,961,819	2,673,118	2,436,935	10.8%
Including: Corporate deposits	2,191,454	1,988,449	1,853,262	10.2%
Personal deposits	770,365	684,669	583,673	12.5%
Total principals of loans and advances to customers	3,063,448	2,666,297	2,323,205	14.9%
Including: Corporate loans	1,153,127	1,061,357	965,984	8.6%
General corporate loans	998,474	948,724	871,081	5.2%
Discounted bills	154,653	112,633	94,903	37.3%
Personal loans	1,910,321	1,604,940	1,357,221	19.0%

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

Non-recurring gains/losses

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Issuing Securities –Non-recurring Profit and Loss* (《公開發行證券的公司資訊披露解釋性公告第 1 號——非經常性損益》) were defined as recurring gains/losses.

(In RMB million)

Item	2021	2020	2019	Year-on-year change
Net gains or losses on disposal of non-current assets	16	92	(30)	(82.6%)
Loss/Gain from contingencies	(9)	(6)	(3)	Negative amount for last year
Others	127	25	173	408.0%
Income tax effect	(28)	(23)	(31)	21.7%
Total	106	88	109	20.5%

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

2.3 Supplementary financial ratios

(Unit: %)

Item	2021	2020	2019	Year-on-year change
Cost/income ratio	28.30	29.11	29.61	-0.81 percentage points
Credit costs	2.08	1.73	2.54	+0.35 percentage points
Deposit-loan spread	4.19	4.42	4.69	-0.23 percentage points
Net interest spread	2.74	2.78	2.87	-0.04 percentage points
NIM	2.79	2.88	2.95	-0.09 percentage points

Note: Credit costs = impairment losses on loans/average balance of loans and advances to customers (including discounted bills). In 2021, the average balance of loans and advances to customers (including discounted bills) of the Group was RMB2,853,155 million (it was RMB2,497,111 million in 2020). Net interest spread (NIS) = average yield of interest-earning assets-average cost rate of interest-bearing liabilities; and net interest margin (NIM) = net interest income/average balance of interest-earning assets.

Accounting Data and Financial Indicators

2.4 Supplementary regulatory indicators

2.4.1 Key regulatory indicators

(Unit: %)

Item	Standard level of indicator	31 December 2021	31 December 2020	31 December 2019
Liquidity ratio (RMB and foreign currency)	≥25	55.57	62.05	62.54
Liquidity ratio (RMB)	≥25	53.98	60.64	61.46
Liquidity ratio (foreign currency)	≥25	89.83	96.43	91.18
Liquidity matching ratio	≥100	140.96	141.21	142.26
Capital adequacy ratio	≥105	13.34	13.29	13.22
Tier 1 capital adequacy ratio	≥85	10.56	10.91	10.54
Core tier 1 capital adequacy ratio	≥75	8.60	8.69	9.11
Ratio of loans to the single largest customer to net capital	≤10	2.25	1.96	3.80
Ratio of loans to top 10 customers to net capital	N/A	12.66	14.02	16.96
Ratio of accumulated open foreign exchange position to net capital	≤20	1.32	2.67	1.93
Standard loan migration ratio	N/A	3.19	2.30	3.24
Special-mention loans migration ratio	N/A	20.28	30.17	31.44
Substandard loans migration ratio	N/A	7.21	76.39	31.49
Doubtful loan migration ratio	N/A	92.58	92.68	99.37
Non-performing loan (NPL) ratio	≤5	1.02	1.18	1.65
Provision coverage ratio	≥ 130 (Note 2)	288.42	201.40	183.12
Provision to loan ratio	≥ 1.8 (Note 2)	2.94	2.37	3.01

Notes:

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

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

2.4.2 Capital adequacy ratio

(In RMB million)

Item	31 December 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
Net core tier 1 capital	306,549	299,103	273,791	268,100
Other tier 1 capital	69,944	69,944	69,944	69,944
Net tier 1 capital	376,493	369,047	343,735	338,044
Tier 2 capital	99,351	99,316	75,032	75,032
Net capital	475,844	468,363	418,767	413,076
Total risk-weighted assets	3,566,465	3,561,379	3,151,764	3,150,828
Credit risk-weighted assets	3,188,577	3,185,755	2,808,573	2,807,985
On-balance-sheet risk-weighted assets	2,741,966	2,739,144	2,444,338	2,443,750
Off-balance-sheet risk-weighted assets	431,405	431,405	348,043	348,043
Risk-weighted assets of counterparty credit risk exposure	15,206	15,206	16,192	16,192
Market risk-weighted assets	90,420	90,038	88,891	88,779
Operational risk-weighted assets	287,468	285,586	254,300	254,064
Core tier 1 capital adequacy ratio	8.60%	8.40%	8.69%	8.51%
Tier 1 capital adequacy ratio	10.56%	10.36%	10.91%	10.73%
Capital adequacy ratio	13.34%	13.15%	13.29%	13.11%
Balance of mitigated risk exposures of credit risk asset portfolio:				
Balance of mitigated risk exposures of on-balance-sheet credit risk assets	4,323,160	4,320,124	3,904,261	3,902,170
Risk exposures of off-balance-sheet assets after conversion	973,463	973,463	780,298	780,298
Counterparty credit risk exposures	5,402,830	5,402,830	6,102,592	6,102,592

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

Accounting Data and Financial Indicators

2.4 Supplementary regulatory indicators (Continued)

2.4.3 Leverage ratio

(In RMB million)

Item	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Leverage ratio	6.33%	6.39%	6.40%	6.56%
Net tier 1 capital	376,493	367,247	355,338	352,985
Balance of on-and off-balance sheet assets after adjustment	5,945,674	5,747,892	5,553,344	5,383,827

Note: The above data represents the performance at the Group level. At the end of the reporting period, the Group's leverage ratio decreased as compared with the end of September 2021. The main reason for the decrease was that the growth of the adjusted balance of on-and off-balance sheet assets was slightly higher than the growth of net tier 1 capital.

2.4.4 Liquidity coverage ratio

(In RMB million)

Item	31 December 2021	30 September 2021	31 December 2020
Liquidity coverage ratio	103.52%	111.24%	127.68%
Qualified current-assets with high quality	512,421	551,208	512,772
Net cash outflow	495,013	495,494	401,618

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

2.4.5 Net stable funding ratio

(In RMB million)

Item	31 December 2021	30 September 2021	31 December 2020
Net stable funding ratio	103.18%	102.50%	105.50%
Available stable funding	2,879,008	2,775,309	2,592,754
Stable funding required	2,790,204	2,707,567	2,457,675

Note: The above data represents the performance at the Group level. The Group discloses the information on net stable funding ratio according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio of Commercial Banks* (《商業銀行流動性覆蓋率資訊披露辦法》) issued by CBIRC.

2.5 Data on operations of segments

2.5.1 Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Operating income	Amount	98,237	90,607	61,418	53,814	9,728	9,121	169,383	153,542
	Propotion%	58.0	59.0	36.3	35.1	5.7	5.9	100.0	100.0
Operating expenses	Amount	34,718	31,437	14,863	14,778	-	-	49,581	46,215
	Propotion%	70.0	68.0	30.0	32.0	-	-	100.0	100.0
Impairment losses on credit and other assets	Amount	36,330	35,827	37,301	34,666	186	(75)	73,817	70,418
	Propotion%	49.2	50.9	50.5	49.2	0.3	(0.1)	100.0	100.0
Profit before tax	Amount	27,144	23,284	9,208	4,346	9,527	9,124	45,879	36,754
	Propotion%	59.2	63.4	20.1	11.8	20.7	24.8	100.0	100.0
Net profit	Amount	21,498	18,327	7,292	3,422	7,546	7,179	36,336	28,928
	Propotion%	59.2	63.4	20.1	11.8	20.7	24.8	100.0	100.0

Item	31 December 2021		31 December 2020		Change at the end of the year from the end of last year
	Balance	Propotion %	Balance	Propotion %	
Total assets	4,921,380	100.0	4,468,514	100.0	10.1%
Including: Retail banking business	1,888,412	38.4	1,589,213	35.6	18.8%
Wholesale banking business	1,922,319	39.0	1,827,156	40.9	5.2%
Others	1,110,649	22.6	1,052,145	23.5	5.6%

Note: In order to further promote the inclusive finance service for “increasing quantity and expanding scale, improving quality and reducing cost”, and improve the inclusive finance overall management and marketing driving capability, the inclusive finance department of the Bank was adjusted from wholesale banking business line to retail banking business line, the comparison data was adjusted accordingly by the same standards based on the correspondingly adjusting data application and mortgage inclusive financial products to retail finance business since the 2021 Interim Report.

The retail banking business segment provides financial products and services to individual customers and several small enterprises. The products and services include personal loans, personal deposits, bank cards and various intermediary businesses.

The wholesale banking business segment provides financial products and services to corporate customers, government organisations, interbank institutions and several small enterprises. The products and services include corporate loans, corporate deposits, trade financing, various corporate intermediary businesses, various interbank capital businesses and Ping An wealth management related businesses.

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

Accounting Data and Financial Indicators

2.5 Data on operations of segments (Continued)

2.5.1 Profit and scale (Continued)

(In RMB million)

Item	31 December 2021		31 December 2020		Change at the year-end from the end of last year
	Balance	Propotion %	Balance	Propotion %	
Deposit principals from customers	2,961,819	100.0	2,673,118	100.0	10.8%
Including: Corporate deposits	2,191,454	74.0	1,988,449	74.4	10.2%
Personal deposits	770,365	26.0	684,669	25.6	12.5%
Total principals of loans and advances to customers	3,063,448	100.0	2,666,297	100.0	14.9%
Including: Corporate loans (including discounted bills)	1,153,127	37.6	1,061,357	39.8	8.6%
Personal loans (including credit cards)	1,910,321	62.4	1,604,940	60.2	19.0%

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

2.5.2 Asset quality

Item	31 December 2021	31 December 2020	Change at the end of the year from the end of last year
Non-performing loan (NPL) ratio	1.02%	1.18%	-0.16 percentage points
Including: Corporate loans (including discounted bills)	0.71%	1.24%	-0.53 percentage points
Personal loans (including credit cards)	1.21%	1.13%	+0.08 percentage points

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

☐ Applicable ☒ Not applicable

2.7 Significant changes in major assets

Significant changes in major assets

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

Status of major overseas assets

☐ Applicable ☒ Not applicable

Management Discussion and Analysis

3.1 Overall analysis of operations

2021 marks the 100th anniversary of the founding of the Communist Party of China (CPC), and the beginning year for the country's 14th Five-Year Plan. By actively implementing all the national strategies, the Bank continues to improve its capability of serving the real economy in financial services, vigorously supports private enterprises, small and micro enterprises, manufacturing and technological enterprises, as well as consumer and industrial transformation and upgrade, fully supports rural revitalisation, actively practises green finance, comprehensively strengthens prevention and control of financial risks and strive to facilitate high-quality economic development.

In 2021, the Bank actively implemented the decisions and arrangements of the Communist Party of China Central Committee and the State Council, continued to deepen comprehensive digital operation, and all businesses maintained a stable growth trend of development.

Solid growth of operating income. In 2021, the Group recorded an operating income of RMB169,383 million, representing a year-on-year increase of 10.3%, the net profit was RMB36,336 million with a year-on-year increase of 25.6%.

Continuous optimisation of liability costs. In 2021, the Group's NIM decreased by 9 basis points to 2.79% as compared with the same period last year; the average liability cost was down by 11 basis points to 2.21% as compared with the same period last year, among which the average cost of deposits from cusotmers was 2.04%, down by 19 basis points as compared with the year of 2020, deposit costs were continuously optimised. The Bank actively promoted the reshaping of asset-liability management. At the liabilities end, it actively optimised liability structure to effectively reduce the liability costs, and at the assets end, affected by the downturn influence of the market interest rate, it continued to make profit concession to the real economy, as a result, the return on assets declined, and the NIM was slightly narrowed.

Rapid growth of non-interest income. In 2021, the Group recorded a net non-interest income of RMB49,047 million, representing a year-on-year increase of 22.4%, mainly due to the increase in fee and commission income derived from wealth management business and financial services, as well as the investment income arising from bond investment businesses and the increase in profit or loss arising from changes in fair value change; the net non-interest income accounted for 28.96%, up by 2.86 percentage points from the same period last year.

Steady growth in the scale of assets and liabilities. At the end of 2021, the Group's total assets amounted to RMB4,921,380 million, up by 10.1% as compared with the end of last year, including the total principals of loans and advances to customers of RMB3,063,448 million, up by 14.9% as compared with the end of last year. The total liabilities were RMB4,525,932 million, an increase of 10.3% as compared the end of the previous year, including the balance of deposit principals from customers of RMB2,961,819 million, up by 10.8% as compared with the end of the previous year, the balance of demand deposits¹ due to customers of RMB1,119,931 million, up by 2.2% as compared with the end of the previous year, the daily average balance of demand deposits from customers of RMB1,041,519 million, representing a year-on-year increase of 18.8% from 2020.

Stable asset quality. At the end of 2021, the NPL ratio was 1.02%, down by 0.16 percentage point as compared with the end of last year. The special mention loans accounted for 1.42%, up by 0.31 percentage point as compared with the end of last year, the loans overdue for more than 60 days and loans overdue for more than 90 days accounted for 0.87% and 0.74% respectively, down by 0.21 and 0.14 percentage point respectively from the end of last year. The deviation ratios of loans

overdue for more than 60 days and 90 days were 0.85 and 0.73, down by 0.07 and 0.02 respectively from the end of last year; the provision coverage ratios of non-performing loans, loans overdue for more than 60 days and loans overdue for more than 90 days were 288.42%, 338.22% and 397.40% and up by 87.02, 118.44 and 128.66 percentage points respectively from the end of last year.

Stronger capital base. In November 2021, the Bank completed the issuance of RMB30 billion tier 2 capital bonds, which effectively supplemented the tier 2 capital. At the end of 2021, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.60%, 10.56% and 13.34% respectively, all satisfying the regulatory requirements.

¹The standard of deposit principals balance and daily average balance for the period was sorted out, the item such as margin deposits was divided into demand deposits and term deposits by nature, and the comparison data was adjusted accordingly by the same standards. Please see "Section III 3.2.1(2) Net interest income" and "IV. Notes to key items in the financial statements 25. Deposits from customers in Section X Financial Report" for details.

Management Discussion and Analysis

3.2 Analysis of financial statements

3.2.1 Analysis of income statement items

(1) Composition of and changes in operating income

In 2021, the Group recorded an operating income of RMB169,383 million, representing a year-on-year increase of 10.3%, which included a net interest income of RMB120,336 million, representing a year-on-year increase of 6.1%, and a net non-interest income was RMB49,047 million, with a year-on-year increase of 22.4%

(In RMB million)

Item	2021		2020		Year-on-year change
	Amount	Proportion %	Amount	Proportion %	
Net interest income	120,336	71.0%	113,470	73.9%	6.1%
Interest income from balances with the Central Bank	3,595	1.7%	3,379	1.7%	6.4%
Interest income from transactions with financial institutions	7,253	3.4%	7,850	3.9%	(7.6%)
Including: Interest income from deposits with banks and other financial institutions	1,561	0.7%	1,824	0.9%	(14.4%)
Interest income from placements with banks and other financial institutions	620	0.3%	941	0.5%	(34.1%)
Interest income from loans and advances to customers	171,297	80.2%	158,235	78.7%	8.3%
Interest income from financial investments	31,391	14.7%	31,543	15.7%	(0.5%)
Subtotal of interest income	213,536	100.0%	201,007	100.0%	6.2%
Interest expenses on borrowings from the Central Bank	3,664	3.9%	3,745	4.3%	(2.2%)
Interest expenses for transactions with financial enterprises	10,604	11.4%	11,495	13.1%	(7.8%)
Interest expense on deposits from customers	57,027	61.2%	56,170	64.2%	1.5%
Interest expenses on debt securities issued	21,905	23.5%	15,909	18.2%	37.7%
Other interest expenses	-	-	218	0.2%	(100.0%)
Subtotal of interest expenses	93,200	100.0%	87,537	100.0%	6.5%
Net non-interest income	49,047	29.0%	40,072	26.1%	22.4%
Net fee and commission Income	33,062	19.5%	29,661	19.3%	11.5%
Other net non-interest income	15,985	9.5%	10,411	6.8%	53.5%
Total operating income	169,383	100.0%	153,542	100.0%	10.3%

(2) Net interest income

In 2021, the Group recorded net interest income of RMB120,336 million, representing a year-on-year increase of 6.1%. On the one hand, the Bank continued to grant more loans to the real economy, and the average daily balance of loans and advances to customers in 2021 (excluding discounted bills) amounted to RMB2,738,368 million, representing a year-on-year increase of 15.5% from 2020. On the other hand, the Bank reshaped asset-liability management to effectively reduce liability costs, meanwhile, due to the changes in market interest together with the impact of further supporting the real economy and reducing its financing cost, the Bank's average yield of interest-earning assets decreased slightly on a year-on-year basis from 2020, and narrowed its NIM within a reasonable range.

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

(In RMB million)

Item	Jan.- Dec. 2021			Jan.- Dec. 2020		
	Average daily balance	Interest income/expenses	Average yield cost rate	Average daily balance	Interest income/expenses	Average yield cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,738,368	170,664	6.23%	2,371,043	157,632	6.65%
Bond investment	739,031	22,264	3.01%	754,056	22,947	3.04%
Balances with the Central Bank	240,415	3,595	1.50%	225,278	3,379	1.50%
Bills discounting and interbank business	597,184	17,013	2.85%	594,053	17,049	2.87%
Total interest-earning assets	4,314,998	213,536	4.95%	3,944,430	201,007	5.10%
Liabilities						
Deposits from customers	2,790,235	57,027	2.04%	2,517,798	56,170	2.23%
Debt securities issued	748,027	21,905	2.93%	540,981	15,909	2.94%
Including: Interbank certificates of deposits	627,600	17,585	2.80%	436,046	11,786	2.70%
Interbank business and others	678,348	14,268	2.10%	717,508	15,458	2.15%
Total interest-bearing liabilities	4,216,610	93,200	2.21%	3,776,287	87,537	2.32%
Net interest income		120,336			113,470	
Deposit-loan spread			4.19%			4.42%
Net interest spread			2.74%			2.78%
NIM			2.79%			2.88%

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income(Continued)

1. Average daily balance and average yield/cost rate of the major asset and liability items(Continued)

(In RMB million)

Item	October to December 2021			July to September 2021		
	Average daily balance	Interest income/expenses	Average yield/cost rate	Average daily balance	Interest income/expenses	Average yield/cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,859,625	44,065	6.11%	2,782,902	43,148	6.15%
Bond investment	760,987	5,714	2.98%	728,002	5,519	3.01%
Balances with the Central Bank	241,157	907	1.49%	239,443	898	1.49%
Bills discounting and interbank business	590,053	4,163	2.80%	605,735	4,290	2.81%
Total interest-earning assets	4,451,822	54,849	4.89%	4,356,082	53,855	4.90%
Liabilities						
Deposits from customers	2,915,770	14,905	2.03%	2,823,753	14,629	2.06%
Debt securities issued	837,642	6,075	2.88%	786,440	5,780	2.92%
Including: Interbank certificates of deposits	710,604	4,933	2.75%	671,469	4,754	2.81%
Interbank business and others	618,647	3,094	1.98%	634,082	3,246	2.03%
Total interest-bearing liabilities	4,372,059	24,074	2.18%	4,244,275	23,655	2.21%
Net interest income		30,775			30,200	
Deposit-loan spread			4.08%			4.09%
Net interest spread			2.71%			2.69%
NIM			2.74%			2.75%

2. Average daily balance and yield of loans and advances to customers

(In RMB million)

Item	Jan.- Dec. 2021			Jan.- Dec. 2020		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	993,163	39,895	4.02%	938,857	40,227	4.28%
Personal loans (including credit cards)	1,745,205	130,769	7.49%	1,432,186	117,405	8.20%
Loans and advances to customers (excluding discounted bills)	2,738,368	170,664	6.23%	2,371,043	157,632	6.65%

Item	October to December 2021			July to September 2021		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	1,001,905	9,854	3.90%	1,003,873	10,156	4.01%
Personal loans (including credit cards)	1,857,720	34,211	7.31%	1,779,029	32,992	7.36%
Loans and advances to customers (excluding discounted bills)	2,859,625	44,065	6.11%	2,782,902	43,148	6.15%

In 2021, the Bank's average yield of loans and advances to customers was 6.23%, representing a year-on-year decrease of 42 basis points from 2020. The average yield of corporate loans was 4.02%, representing a year-on-year decrease of 26 basis points from 2020, mainly due to the fact that the Bank actively responded to the policy of serving the real economy and reduced enterprises' financing costs and as a result, the yield of corporate loans dropped accordingly; the average yield of personal loans was 7.49%, representing a year-on-year decrease of 71 basis points from 2020, with the increasing competition in retail business, the Bank vigorously granted credit and loans to low-risk businesses and high-quality customer groups, enhanced the policy support for key fields such as inclusive finance and consumption, and implemented the policy orientation of financial institutions serving the real economy. The yield of personal loans dropped slightly due to market changes and structural adjustments.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income(Continued)

3. Average daily balance and cost rate of deposits from customers

(In RMB million)

Item	Jan.- Dec. 2021			Jan.- Dec. 2020		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	2,090,380	40,907	1.96%	1,898,373	41,163	2.17%
Including: Demand deposits	819,237	5,319	0.65%	667,584	4,086	0.61%
Term deposits	1,271,143	35,588	2.80%	1,230,789	37,077	3.01%
Including: Treasury deposits and agreement deposits	134,392	4,869	3.62%	79,419	2,914	3.67%
Personal deposits	699,855	16,120	2.30%	619,425	15,007	2.42%
Including: Demand deposits	222,282	649	0.29%	209,073	618	0.30%
Term deposits	477,573	15,471	3.24%	410,352	14,389	3.51%
Deposits from customers	2,790,235	57,027	2.04%	2,517,798	56,170	2.23%

Item	October to December 2021			July to September 2021		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	2,176,544	10,579	1.93%	2,129,432	10,577	1.97%
Including: Demand deposits	854,938	1,455	0.68%	826,264	1,393	0.67%
Term deposits	1,321,606	9,124	2.74%	1,303,168	9,184	2.80%
Including: Treasury deposits and agreement deposits	149,463	1,335	3.54%	150,081	1,349	3.57%
Personal deposits	739,226	4,326	2.32%	694,321	4,052	2.32%
Including: Demand deposits	221,834	163	0.29%	218,896	160	0.29%
Term deposits	517,392	4,163	3.19%	475,425	3,892	3.25%
Deposits from customers	2,915,770	14,905	2.03%	2,823,753	14,629	2.06%

In 2021, the Bank continued to promote the transformation of corporate and retail businesses, reshaped asset-liability structure, and improved the optimisation of liability costs up to a strategic height. Leveraging the advantage of “Finance + Technology” and deepening customer management, the Bank continued to optimise business structure including increasing investment in transaction banking resources for corporate business, enhancing open banking ecosystem to acquire customers, and expanding low cost deposits. As for retail business, the Bank continued to strengthen AUM, so as to drive an accumulative increase of demand deposits.

In 2021, the Group’s average cost rate of deposits from customers was 2.04%, representing a year-on-year decrease of 19 basis points from 2020. The average cost rate of corporate deposits and corporate time deposits were 1.96% and 2.80% respectively, representing a year-on-year decrease of 21 and 21 basis points from 2020; the daily average corporate demand deposits was RMB819,237 million, representing a year-on-year increase of 22.7% from 2020, and accounted for 39.2% of daily average corporate deposits, representing a year-on-year increase of 4.0 basis points from 2020. The average cost rate of personal deposits and personal time deposits were 2.30% and 3.24% respectively, representing a year-on-year decrease of 12 and 27 basis points from 2020, and the daily average personal demand deposit was RMB222,282 million, representing a year-on-year increase of 6.3% from 2020.

(3) Net non-interest income

In 2021, the Group recorded net non-interest income of RMB49,047 million, representing a year-on-year increase of 22.4%.

1. Net fee and commission income

In 2021, the Group recorded fee and commission income of RMB33,062 million, representing a year-on-year increase of 11.5%. In the fee and commission income, the settlement fee income was RMB2,973 million, representing a year-on-year increase of 10.4%. The agency and trusteeship business fee income was RMB8,575 million, representing a year-on-year increase of 9.0%, on the one hand, the Bank actively promoted private banking business development to bring in an increase in the commission income of personal agency funds and insurance, on the other hand, due to the large-scale decline on a year-on-year basis of business scale in agency of precious metal, it led to the large-scale decrease on a year-on-year basis in the fee income from its customers and fee and commission expenses paid to intermediary agencies; the fee income of the bank card business was RMB19,540 million, representing a year-on-year increase of 3.1%, mainly due to the increase of corresponding return commission and receipt fee resulting from the increase in credit card transaction volume; other fees and commissions income was RMB7,131 million, representing a year-on-year increase of 14.8%, mainly due to the increase in fee income from wealth management business.

(In RMB million)

Item	2021	2020	Year-on-year change
Settlement fee income	2,973	2,692	10.4%
Agency and trusteeship business fee income	8,575	9,426	(9.0%)
Bank card business fee income	19,540	18,955	3.1%
Asset trusteeship fee income	1,971	2,189	(10.0%)
Others	7,131	6,214	14.8%
Fee and commission income	40,190	39,476	1.8%
Fee and commission expenses	7,128	9,815	(27.4%)
Net fee and commission Income	33,062	29,661	11.5%

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(3) Net non-interest income(Continued)

2. Other net non-interest income

(In RMB million)

Item	2021	2020	Year-on-year change
Investment income	12,243	9,921	23.4%
Gains or losses on changes in fair value	2,080	(614)	Negative amount for last year
Exchange gains or losses	1,320	762	73.2%
Revenue from other operations	105	111	(5.4%)
Gains or losses on disposal of assets	12	57	(78.9%)
Other income	225	174	29.3%
Other net non-interest income	15,985	10,411	53.5%

Other net non-interest income included investment income, gains and losses on changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses on disposal of assets and other income. In 2021, the Group recorded other net non-interest income of RMB15,985 million, representing a year-on-year increase of 53.5%, mainly due to investment income from bond investment business and the increase in profit or loss arising from changes in fair value.

(4) Business and administrative expenses

In 2021, the Group's operating and administrative expense was RMB47,937 million, a year-on-year increase of 7.3%; the cost/income ratio was 28.30%, down by 0.81 percentage point as compared with the same period of last year. The Group continued to deepen strategic transformation, strengthened the investment in key strategic businesses and financial technology, promoted improvement of management efficiency through comprehensive digital operation, and empowered business innovation. Meanwhile, it enhanced the refined management on expenses to save daily administrative and workplace costs, optimised dynamic resource management system, and accurately placed business recourses to constantly increase production efficiency.

(5) Impairment losses on credit and other assets

Based on the uncertainties from external macro-environment in 2021, and combined with the requirements of further strengthening the quality of assets and building a solid barrier against risks from regulatory authorities, the Group adhered to the prudent principle and maintained the larger ratio of the provision for impairment losses on assets, further strengthened risk compensation capability of non-credit financial assets on the basis of continuously improving provision coverage ratio. In 2021, the Group's provision for impairment losses on credit and other assets amounted to RMB73,817 million, representing a year-on-year increase of 4.8%.

(In RMB million)

Item	Provision/ (Reversal) in 2021	Provision/ (Reversal) in 2020	Year-on-year change
Deposits with banks and other financial institutions	(63)	(183)	Negative amount for last year
Placements with banks and other financial institutions	(54)	54	(200.0%)
Financial assets sold under resale agreements	(18)	(33)	Negative amount for last year
Loans and advances to customers	59,407	43,148	37.7%
Debt investments (Note)	10,435	27,259	(61.7%)
Other debt investments	(38)	261	(114.6%)
Expected loss of credit commitment for off-balance-sheet items	2,987	(779)	Negative amount for last year
Foreclosed assets	1,198	807	48.5%
Others	(37)	(116)	Negative amount for last year
Total	73,817	70,418	4.8%

Note: Provision for credit impairment losses was mainly made for financial assets measured at amortised cost, including bond, asset management plan and trust plan.

(6) Income tax expenses

In 2021, the Group's provision on income tax expenses amounted to RMB9,543 million, with a year-on-year increase of 21.9%, mainly due to the effect of the increase in taxable profits; the effective income tax rate was 20.80%, decreased by 0.49 percentage point on a year-on-year basis, mainly due to additional tax exemption income from government bonds.

(In RMB million)

Item	2021	2020	Year-on-year change
Profit before tax	45,879	36,754	24.8%
Income tax expense	9,543	7,826	21.9%
Effective income tax rate	20.80%	21.29%	-0.49 percentage points

(7) Regional segment of operating income and expense

See "V. Operating Segment Information" in "Section X-Financial Report" for details about regional segment of operating income and expense of the Group in 2021.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(1) Asset composition and changes

As at the end of 2021, the Group's total assets amounted to RMB4,921,380 million, up by 10.1% as compared with the end of last year, including the total principal of loans and advances to customers of RMB3,063,448 million, up by 14.9% as compared with the end of last year.

(In RMB million)

Item	12/31/2021		12/31/2020		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Total loans and advances to customers	3,074,009	62.4%	2,673,662	59.8%	15.0%
Including: Principal of loans and advances to customers	3,063,448	62.2%	2,666,297	59.7%	14.9%
Accrued interest on loans and advances to customers	10,561	0.2%	7,365	0.1%	43.4%
Impairment provision of loans and advances to customers measured at amortised cost	(89,256)	(1.8%)	(62,821)	(1.4%)	42.1%
Net loans and advances to customers	2,984,753	60.6%	2,610,841	58.4%	14.3%
Financial assets classified as investments (Note)	1,313,127	26.7%	1,180,218	26.4%	11.3%
Cash and balances with the Central Bank	312,033	6.3%	283,982	6.4%	9.9%
Deposits with banks and other financial institutions	78,215	1.6%	106,174	2.4%	(26.3%)
Precious metals	17,820	0.4%	31,340	0.7%	(43.1%)
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	100,861	2.0%	166,310	3.7%	(39.4%)
Investment properties	558	0.0%	573	0.0%	(2.6%)
Fixed assets	11,974	0.2%	10,893	0.2%	9.9%
Right-of-use assets	6,771	0.1%	7,149	0.2%	(5.3%)
Intangible assets	5,801	0.1%	3,852	0.1%	50.6%
Goodwill	7,568	0.2%	7,568	0.2%	-
Deferred income tax assets	39,735	0.8%	39,034	0.9%	1.8%
Other assets	42,164	1.0%	20,580	0.4%	104.9%
Total assets	4,921,380	100.0%	4,468,514	100.0%	10.1%

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

1. Loans and advances to customers

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

2. Goodwill

The Bank acquired goodwill from its acquisition of the former Ping An Bank in July 2011, the goodwill balance was RMB7,568 million as at 31 December 2021. See "IV Notes to key items in the financial statements-Note 16. Goodwill" in "Section X Financial Report" for details about the Goodwill and impairment test.

(In RMB million)

Item	Balance	Impairment provision
Goodwill	7,568	-

3. Other assets - foreclosed assets

(In RMB million)

Item	12/31/2021		Change at the end of the year from the end of last year
	12/31/2021	12/31/2020	
Land and buildings	2,333	3,573	(34.7%)
Others	1	116	(99.1%)
Subtotal	2,334	3,689	(36.7%)
Impairment provision for foreclosed assets	(1,895)	(1,271)	49.1%
Net amount for foreclosed assets	439	2,418	(81.8%)

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(2) Liability structure and changes

At the end of 2021, the Group's total liabilities were RMB4,525,932 million, representing an increase of 10.3% as compared with the end of last year, which included the deposit principals from customers of RMB2,961,819 million, representing an increase of 10.8% as compared with the end of last year.

(In RMB million)

Item	12/31/2021		12/31/2020		Change at the end of the year from the end of last year
	Balance	Proportion %	Balance	Proportion %	
Deposits from customers	2,990,518	66.0%	2,695,935	65.7%	10.9%
Including: Deposit principals from customers	2,961,819	65.4%	2,673,118	65.1%	10.8%
Accrued interest on deposits from customers	28,699	0.6%	22,817	0.6%	25.8%
Borrowings from the Central Bank	148,162	3.3%	124,587	3.0%	18.9%
Deposits from banks and other financial institutions	345,131	7.6%	469,551	11.4%	(26.5%)
Placements from banks and other financial institutions	32,394	0.7%	41,034	1.0%	(21.1%)
Financial liabilities held for trading	43,421	1.0%	31,505	0.8%	37.8%
Derivative financial liabilities	31,092	0.7%	41,485	1.0%	(25.1%)
Financial assets sold under repurchase agreements	47,703	1.1%	35,286	0.9%	35.2%
Salaries and welfare payable	18,095	0.4%	16,959	0.4%	6.7%
Taxes payable	11,685	0.3%	11,444	0.3%	2.1%
Debt securities issued	823,934	18.2%	611,865	14.9%	34.7%
Lease liabilities	6,968	0.2%	7,346	0.2%	(5.1%)
Others (Note)	26,829	0.5%	17,386	0.4%	54.3%
Total liabilities	4,525,932	100.0%	4,104,383	100.0%	10.3%

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

1. Distribution of deposits from customers as per customer type

(In RMB million)

Item	12/31/2021	12/31/2020	Change at the end of the year from the end of last year
Corporate deposits	2,191,454	1,988,449	10.2%
Personal deposits	770,365	684,669	12.5%
Total deposit principals from customers	2,961,819	2,673,118	10.8%

2. Distribution of deposits from customers as per regions

(In RMB million)

Item	12/31/2021		12/31/2020		Change at the end of the year from the end of last year
	Balance	Proportion %	Balance	Proportion %	
Eastern Region	901,706	30.5%	778,838	29.1%	15.8%
Southern Region	1,013,615	34.2%	958,494	35.9%	5.8%
Western Region	208,059	7.0%	198,291	7.4%	4.9%
Northern Region	573,103	19.3%	506,169	18.9%	13.2%
Headquarter	241,732	8.2%	219,570	8.3%	10.1%
Overseas	23,604	0.8%	11,756	0.4%	100.8%
Total deposit principals from customers	2,961,819	100.0%	2,673,118	100.0%	10.8%

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(3) Changes in shareholders' equity

At the end of 2021, the Group's shareholders' equity was RMB395,448 million, up by 8.6% as compared with the end of last year, among which the retained earnings amounted to RMB154,377 million, up by 17.7% as compared with the end of last year due to net profit recorded and distributed in the current year.

(In RMB million)

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Share capital	19,406	-	-	19,406
Other equity instruments	69,944	-	-	69,944
Including: Preference shares	19,953	-	-	19,953
Perpetual bonds	49,991	-	-	49,991
Capital reserve	80,816	-	-	80,816
Other comprehensive income	462	1,323	-	1,785
Surplus reserve	10,781	-	-	10,781
General reserve	51,536	6,803	-	58,339
Undistributed profit	131,186	36,336	(13,145)	154,377
Including: Dividend of ordinary shares proposed for distribution	3,493	4,425	(3,493)	4,425
Total shareholders' equity	364,131	44,462	(13,145)	395,448

(4) Fair value measurement

At end of 2021, for the Group's fair value measurement and items measured at fair value, please refer to "VIII. Risk disclosure-4. Fair value of financial instruments" and "XII. Other significant items - Assets and liabilities measured at fair value" in the "Section X. Financial Report".

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

☐ Applicable ☒ Not applicable

3.2.3 Investment situation

(1) Investment portfolio and overall situation

☒ Applicable ☐ Not applicable

(In RMB million)

Item	12/31/2021		12/31/2020		Change at the end of the year from the end of last year
	Balance	Proportion %	Balance	Proportion %	
Derivative financial assets	30,238	2.3%	36,607	3.1%	(17.4%)
Financial assets held for trading	389,703	29.7%	311,270	26.4%	25.2%
Investment on debts	738,166	56.2%	633,619	53.7%	16.5%
Other debt investments	152,428	11.6%	197,073	16.7%	(22.7%)
Other equity instruments	2,592	0.2%	1,649	0.1%	57.2%
Total financial assets classified as investments	1,313,127	100.0%	1,180,218	100.0%	11.3%

(2) Significant equity investment acquired in the reporting period

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(4) Financial bonds held

At the end of 2021, the carrying amount of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding enterprise bonds) held by the Group was RMB208,031million, among which the top ten financial bonds with the highest book value were detailed as follows:

(In RMB million)

Name of bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2019 Policy Bank Bonds	3,958	3.48	1/8/2029	-
2020 Policy Bank Bonds	3,160	3.07	3/10/2030	-
2021 Commercial Bank Financial Bonds	3,000	3.48	3/25/2024	19.27
2019 Commercial Bank Financial Bonds	3,000	3.50	3/27/2022	9.85
2021 Policy Bank Bonds	2,481	2.08	7/29/2022	-
2020 Commercial Bank Financial Bonds	2,350	3.18	8/7/2023	23.79
2021 Commercial Bank Financial Bonds	2,250	3.48	12/15/2031	-
2021 Policy Bank Bonds	2,250	3.41	6/7/2031	-
2021 Commercial Bank Financial Bonds	2,150	2.79	11/4/2022	-
2021 Policy Bank Bonds	2,120	3.00	2/5/2023	-

(5) Derivative financial instruments held

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

Positions of derivative investment

(In RMB million)

Contract type	Beginning contract amount Nominal amount	Ending contract amount Nominal amount	Changes in fair value during the reporting period
Foreign exchange derivatives	1,275,175	2,046,243	689
Interest rate derivatives	6,693,080	5,159,879	54
Precious metals derivatives	99,743	60,289	3,804
Total	8,067,998	7,266,411	4,547

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

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item

(6) Usage of raised funds

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

(7) The Bank sold no significant assets and equities during the reporting period and since the previous period lasting to the reporting period.

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

✓ Applicable ☐ Not applicable

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

(9) Structured entities controlled by the company

At the end of 2021, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB872,066 million, increased by 34.5% as compared with the end of last year. See “IV Notes to key items in the financial statements-Note 52. Structured entities” in “Section X Financial Report” for details about the Group’s structured entities.

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

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

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

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Precious metals	17,820	(13,520)	(43.1%)	Due to the optimization of asset structure and the adjustment of trading strategy in the precious metal market, the scale of the precious metal assets was reduced
Placements with and loans to banks and other financial institutions	94,473	23,477	33.1%	Mainly due to the increase of placements with and loans to domestic financial institutions
Financial assets held under resale agreements	6,388	(88,926)	(93.3%)	Based on the position at the end of the year, monetary market lending was reduced, and decrease in the scale of bonds held under resale agreements
Other equity instruments	2,592	943	57.2%	Mainly due to the increase of debt-to-equity
Intangible assets	5,801	1,949	50.6%	Mainly due to the increase of land use rights
Other assets	42,164	21,584	104.9%	Mainly due to the increase of settlement receivables
Financial liabilities held for trading	43,421	11,916	37.8%	Mainly due to the increase in the scale of the short-selling in security lending
Financial assets sold under repurchase agreements	47,703	12,417	35.2%	Based on the position at the end of the year, monetary market financing was increased, and increase in the scale of sold under repurchase agreements
Debt securities issued	823,934	212,069	34.7%	Mainly due to the increase in the scale of interbank certificates of deposits and tier 2 capital bonds issued
Accrued liabilities	3,944	2,986	311.7%	Increase of expected credit losses of financial guarantee contracts
Deferred income tax liabilities	-	(2)	(100.0%)	Small base amount, RMB2 million at the end of last year
Other liabilities	22,885	6,459	39.3%	Mainly due to the increase of pending accounts payable for liquidation and accounts payable for agency of custody
Other comprehensive income	1,785	1,323	286.4%	Mainly due to the increase in fair value of other debt investments
Gains or losses on changes in fair value	2,080	2,694	Negative amount for last year	Mainly due to the increase in changes in fair value of financial assets held for trading
Exchange gains or losses	1,320	558	73.2%	Mainly due to the increase in the scale of foreign exchange businesses
Gains or losses on disposal of assets	12	(45)	(78.9%)	Small base amount, RMB57 million for last year
Impairment losses on other assets	1,198	391	48.5%	Increase of provision for impairment losses on foreclosed assets
Non-operating income	158	81	105.2%	Mainly due to the increase of litigation compensation income

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.6 Cash flows

In 2021, the Group's net cash flows generated from operating activities amounted to RMB192,733 million, representing a year-on-year decrease of RMB176,572 million, primarily due to the year-on-year increase in cash outflows as a result of the decrease in the scale of deposits from banks and other financial institutions and the increase in the scale of loans and advances to customers; net cash flows generated from investment activities amounted to RMB-40,455 million, representing a year-on-year decrease of RMB56,399 million, mainly due to the year-on-year decrease in cash inflows from debt investments recovered; net cash flows generated from financing activities amounted to RMB181,064 million, representing a year-on-year increase of RMB77,663 million, primarily due to the year-on-year increase of cash inflow arising from interbank certificates of deposits.

3.2.7 Analysis of loan quality

In 2021, the domestic economy remained continuous recovery, but the imbalance issue of regions and industries for recovery was still notable, some of enterprises and individuals were facing repayment pressure, the Bank's management and control on asset quality also were facing challenges. The Bank responded to national strategy of serving the real economy, and strongly supported the development of private, and micro, small and medium-sized enterprises while continuously strengthening comprehensive risk management and optimising overall asset quality. Both amount and ratio of non-performing loans declined as compared with the end of last year.

At the end of 2021, the Bank's overdue loans accounted for 1.61% with a decrease of 0.19 percentage point as compared with the end of last year; of which loans overdue for more than 60 days accounted for 0.87%, down by 0.21 percentage point as compared with the end of last year; loans overdue for more than 90 days accounted for 0.74%, down by 0.14 percentage point as compared with the end of last year; the NPL ratio was 1.02%, down by 0.16 percentage point as compared with the end of last year; the ratio of special mention loans accounted for 1.42%, up by 0.31 percentage point as compared with the end of last year; the deviation ratio of loans overdue for more than 60 days and 90 days were 0.85 and 0.73 respectively, down by 0.07 and 0.02 as compared with the end of last year.

In 2021, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB59,407 million. At the end of 2021, the balance of provision for impairment losses on loans was RMB90,202 million, up by 42.7% as compared with the end of last year; the provision coverage ratio was 288.42%, increased by 87.02 percentage points as compared with the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 338.22%, increased by 118.44 percentage points as compared with the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 397.40%, increased by 128.66 percentage points as compared with the end of last year; the risk compensation capability was continuously enhanced.

In 2021, the Bank's accumulated written-off loans amounted to RMB40,418 million; the total of recovered non-performing assets was RMB32,771 million, representing a year-on-year increase of 25.7%, which included recovered written-off non-performing loans of RMB15,888 million; 98.70% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by collaterals.

In the future, the Bank will continuously intensify management and control measures, remain at a higher risk compensation level, firmly protect the risk baseline, and make sure the asset quality is controllable.

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

(In RMB million)

Item	12/31/2021		12/31/2020		Change at the end of the year from the end of last year
	Balance	Proportion %	Balance	Proportion %	
Pass loans	2,988,759	97.56%	2,605,204	97.71%	14.7%
Special mention loans(Note1)	43,414	1.42%	29,703	1.11%	46.2%
Non-performing loans	31,275	1.02%	31,390	1.18%	(0.4%)
Including: Substandard	17,971	0.59%	14,205	0.53%	26.5%
Doubtful	7,390	0.24%	5,942	0.22%	24.4%
Loss	5,914	0.19%	11,243	0.43%	(47.4%)
Total principals of loans and advances to customers	3,063,448	100.00%	2,666,297	100.00%	14.9%
Impairment provision for loans and advances to customers	(90,202)		(63,219)		42.7%
Including: Impairment provision for loans and advances to customers measured at amortised cost	(89,256)		(62,821)		42.1%
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	(946)		(398)		137.7%
Non-performing loan (NPL) ratio	1.02%		1.18%		-0.16 percentage point
Deviation ratio of loans overdue for more than 90 days (Note 2)	0.73		0.75		-0.02
Deviation ratio of loans overdue for more than 60 days (Note 3)	0.85		0.92		-0.07
Provision coverage ratio	288.42%		201.40%		+87.02 percentage points
Provision coverage ratio for loans overdue for more than 90 days	397.40%		268.74%		+128.66 percentage points
Provision coverage ratio for loans overdue for more than 60 days	338.22%		219.78%		+118.44 percentage points
Provision to loan ratio	2.94%		2.37%		+0.57 percentage point

Notes:

(1) According to regulatory requirements, the Bank adjusted the identification standard for special mention loans including credit card, personal residential mortgage loans and title deed-secured loans since the fourth quarter of 2021, as a result of this, the proportion of special mention loans increased as compared with the end of last year. However, if eliminating the influence of above factor, the proportion of special mention loans decreased 0.02 percentage point as compared with the end of last year.

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

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

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

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

(In RMB million)

Item	12/31/2021			12/31/2020			Increase/decrease in NPL ratio
	Balance	Propotion %	NPL ratio	Balance	Propotion %	NPL ratio	
Corporate loans	1,153,127	37.6%	0.71%	1,061,357	39.8%	1.24%	-0.53 percentage point
Including: General corporate loans	998,474	32.6%	0.82%	948,724	35.6%	1.39%	-0.57 percentage point
Discounted bills	154,653	5.0%	-	112,633	4.2%	-	-
Personal loans	1,910,321	62.4%	1.21%	1,604,940	60.2%	1.13%	+0.08 percentage point
Including: Personal residential mortgage loans and title deed-secured loans (Note 1)	654,870	21.4%	0.34%	528,384	19.8%	0.31%	+0.03 percentage point
Xinyidai	158,981	5.2%	1.01%	146,293	5.5%	1.13%	-0.12 percentage point
Auto finance loans	301,229	9.8%	1.26%	246,416	9.2%	0.70%	+0.56 percentage point
Credit card receivables	621,448	20.3%	2.11%	529,251	19.9%	2.16%	-0.05 percentage point
Others (Note 2)	173,793	5.7%	1.40%	154,596	5.8%	1.16%	+0.24 percentage point
Total principals of loans and advances to customers	3,063,448	100.0%	1.02%	2,666,297	100.0%	1.18%	-0.16 percentage point

Notes:

(1) "Personal residential mortgage loans and title deed-secured loans" included the balance of "property mortgage" of RMB279,376 million at the end of 2021 (RMB239,467 million at the end of 2020).

(2) "Others" include personal business loans, small consumer loans and other guaranteed or secured loans.

1. Corporate loans

At the end of 2021, the Bank’s corporate NPL ratio was 0.71%, down by 0.53 percentage point as compared with the end of last year. The Bank continuously optimised the enterprise credit structure, enhanced the asset management and control mechanism, empowered technology to risk management and control work, maintained a large scale of provision for impairment loss on assets, and further strengthened asset quality to improve risk compensation capability. The details are as follows:

In the aspect of risk access, constructing risk policy system based on the industrial chain and relying on its professional research power internally, the Bank continued to improve and optimise risk policy through extending vertically and expanding horizontally, making clear the business development direction of its all businesses intensively and customer strategy for winning and losing, so as to effectively avoid systematic risks. On this basis, the Bank launched featured risk policies for special areas, characteristic industries and specific customer groups as supplement to the risk policy system that ensures adjusting measures to local conditions and risk is controllable. As for key business areas such as government credit and real estate, combined with the changes in the external policy environment at the present, the Bank responded

in advance, adjusted business orientation and entry rules timely, and conducted good dynamic viewing and flexible adjustments to policies.

In the aspect of management system, centering on the core logic of risk control, the Bank continued to optimise and improve post-loan required actions, focused on essential risk management and control of customers effectively and agilely. It also expanded interference depth of bank-alerting, promoted more comprehensive and more detailed alerting management on risk, responded agilely and timely to risk, and practically gave play to its alerting role of “nip in the bud”. In addition, it strengthened pre-loan issue management with the orientation of mitigating risks essentially and further enhanced risk management and control in the early stage. The Bank also conducted risk-mitigating measures for customers from key areas and strengthened the recovery and disposal of problematic assets.

In the aspect of technology empowerment, leveraging intelligent risk control platform and making the most of the leading technologies of Internet of Things, optical character recognition (OCR) and face recognition, the Bank constructed the new intelligent post-loan scenarios to realise post-loan management in an automated and intelligent fashion. The Bank continued to iterate the applications of intelligent approval and loan grants to further improve the efficiency of approval and loan grants. Relying on intelligent risk control application, the Bank also rolled out mobile tools such as intelligent interview, cloud approval meeting and mobile credit approval, so as to improve the timeliness and convenience of the whole process of credit risk control.

2. Personal loans

At the end of 2021, the NPL ratio of personal loans was 1.21%, increased by 0.08 percentage point as compared with the end of last year, and decreased by 0.35 percentage point as compared with the peak time (end of June) of the pandemic last year. The overall asset quality remained steady, and the NPL ratio of main loan products was controllable and the details are as follows:

The Bank always adhered to the principle that “houses are for living, not for speculation” for personal residential mortgage loans and title deed-secured loans, strongly supported small and micro businesses, conducted differentiated and multi-dimensional risk management and control measures for various customer groups and products, and continuously optimising and iterating. In order to prevent the fluctuation in the real estate market, the Bank adopted differentiated management and control in cities and regions to effectively prevent risks and achieve harmonious development of benefits and quality. Meanwhile, it intensified the efforts in collection and recovery, and adopted diversified strategies for collection and recovery to maintain asset quality stable.

Relying on digital operation capability, the Bank continuously optimised customer groups structure of “Xinyidai”, dynamically adjusted risk policies with the advanced scoring card technology and multi-dimensional risk monitoring system, continuously upgraded and improved the means of investigation, prevention and control, strictly controlled the access of common debt and high-risk customers to maintain asset quality stable and controllable.

The Bank adhered to the concept of whole-process risk penetration management for its auto finance business, continuously improved risk identification and decision-making capabilities through relying on scientific and quantitative tools and industrial-leading digital technologies in the auto ecosystem sector, and performed refined judgment on customers’ qualifications, so as to improve customer access quality. For collection and recovery, the Bank continued to upgrade fintech capability, carried out staging and differentiated collection strategy, and strictly implemented the requirements of national laws and regulations, so as to improve the efficiency of collection and recovery through reasonable allocation of collection resources and effective disposal of the collaterals through the advantage of judicial actions. The NPL ratio of auto finance loans increased slightly due to the impact of external marco-environment and the increase of risk in commercial vehicle loans, the Bank has launched multiple management and control actions in the aspects of adjustment and optimisation of customer access and anti-fraud policies and kept the new customer assess quality within a reasonable range while strengthening the efforts in collection and recovery to improve existing business quality.

The Bank continued to implement the concept of whole-process risk management for credit card business and made full use of the advanced quantitative tools to effectively manage and control risks. On the one hand, the Bank actively introduced

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

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

2. Personal loans(Continued)

external data and used big data technology to improve the risk identification capacity of risk models, and made more accurate judgments on customer qualifications, so that, the quality of customers acquired were guaranteed, and the quality of credit card portfolios was continuously optimised. On the other hand, it constantly upgraded fintech technology, enriched collection and recovery measures, and holistically enhanced management and control capability for overdue risks through continuous improving AI collection and recovery capability, constructing complete collection and recovery management system and strengthening investment in judicial action. For business management, the Bank optimised the implementation plan for non-performing clearing and collection and the deployment of differentiated collection strategy according to internal and external monitoring and management and market needs, using modularised management measures to maintain asset quality stable. Meanwhile, in order to implement regulatory requirements, the Bank adjusted the overdue identification timing for credit card loans since the fourth quarter of 2021, as a result, both overdue credit card loans and non-performing loans have increased.

Other types of personal loans of the Bank mainly included operating loans issued to small and micro enterprise customers and personal small consumer loans. In order to support the operation of inclusive business, the Bank actively developed and continuously iterated and optimised inclusive credit products. On the one hand, it continued to optimise risk control models and improve risk control access and post-loan warning ability by applying big data in tax, industry and commerce and judiciary, on the other hand, it continuously optimised credit and loan processes to improve user experiences. Meanwhile, the Bank actively expanded scenario-based business items towards small and micro enterprise customers with different industrial characteristics, extracted core risk control elements while acquiring bulk customers, to provide efficient and convenient financial services to more small and micro customers.

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

(In RMB million)

Item	12/31/2021			12/31/2020			Increase/decrease in NPL ratio
	Balance	Proportion %	NPL ratio	Balance	Proportion %	NPL ratio	
Husbandry and fishery	4,416	0.1%	-	3,087	0.1%	-	-
Mining	22,099	0.7%	0.95%	24,448	0.9%	15.93%	-14.98 percentage points
Manufacturing	157,027	5.1%	0.78%	145,939	5.5%	3.37%	-2.59 percentage points
Energy	26,037	0.8%	3.83%	20,856	0.8%	-	+3.83 percentage points
Transportation, post and telecommunications	49,031	1.6%	7.78%	51,644	1.9%	0.07%	+7.71 percentage points
Wholesale and retail	103,784	3.4%	0.59%	74,257	2.8%	2.43%	-1.84 percentage points
Real estate	288,923	9.4%	0.22%	271,963	10.2%	0.21%	+0.01 percentage points
Social services, science and technology, culture and sanitary	212,943	7.0%	0.29%	166,000	6.2%	0.88%	-0.59 percentage points
Construction	48,073	1.6%	0.08%	42,568	1.6%	1.13%	-1.05 percentage points
Personal loans	1,910,321	62.4%	1.21%	1,604,940	60.2%	1.13%	+0.08 percentage points
Others	240,794	7.9%	-	260,595	9.8%	0.01%	-0.01 percentage points
Total principals of loans and advances to customers	3,063,448	100.0%	1.02%	2,666,297	100.0%	1.18%	-0.16 percentage points

Note: The industry statistics involve loans and bank acceptance notes discounting.

In 2021, the Bank kept up with the major national strategic planning, actively supported the development of the real economy, focused on key industries, key areas and key customers, selected the industries with weak periodicity, steady growth and good asset quality, and made more efforts in taking reduction measures on high-risk customers to further optimise asset portfolio allocation. During the reporting period, the Bank continuously strengthened risk management and control over new businesses, strongly enhanced the mitigation and handling of existing risks, and the asset quality was stable and controllable. Mainly due to the impacts of the slow growth of macro economy and new NPL from corporate customers, the Bank's NPL ratio in the sectors of transportation, post and telecommunications, and energy increased slightly, the Bank has actively implemented various measures to strengthen the recovery and disposal level, the overall risks were controllable.

The Bank attached high importance to risk prevention and quality control of credit granting in the real estate industry. In terms of customer selection, it set up a strict white list management system and focused on selecting the strong top customers; in terms of region selection, it focused on selecting first-tier cities and second-tier cities with high population

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

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

inflow and industrial support; in terms of project selection, it focused on selecting the projects with advantages in area and cost, good sales prospects and short sell-through period, and actively supported the projects that meet the national policy guidance including urban renewal, rental housing and government-subsidized housing. In terms of credit granting management, it implemented strict entry management on entities and projects at front end, and strict monitoring controls on project construction, project sell-through rate and return of sales funds at the back end, ensuring the overall risk of projects were controllable.

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

(In RMB million)

Item	12/31/2021			12/31/2020			Increase/decrease in NPL ratio
	Balance	Proportion %	NPL ratio	Balance	Proportion %	NPL ratio	
Eastern Region	600,697	19.6%	0.50%	520,865	19.5%	1.12%	-0.62 percentage points
Southern Region	599,433	19.6%	1.22%	560,237	21.0%	0.62%	+0.60 percentage points
Western Region	280,433	9.2%	0.69%	244,223	9.2%	1.53%	-0.84 percentage points
Northern Region	451,643	14.7%	0.47%	403,723	15.1%	1.29%	-0.82 percentage points
Headquarter	1,116,114	36.4%	1.51%	929,599	34.9%	1.41%	+0.10 percentage points
Overseas	15,128	0.5%	-	7,650	0.3%	-	-
Total principals of loans and advances to customers	3,063,448	100.0%	1.02%	2,666,297	100.0%	1.18%	-0.16 percentage points

(5) Restructured and overdue loans

(In RMB million)

Item	12/31/2021		12/31/2020	
	Balance	% of total loans	Balance	% of total loans
Restructured loans	11,417	0.37%	15,627	0.59%
Loans with principal and interest overdue for no more than 90 days	26,651	0.87%	14,340	0.54%
Loans with principal and interest overdue for more than 90 days	22,698	0.74%	23,524	0.88%

At the end of 2021, the balance of restructured loans was RMB11,417 million, down by 26.9% as compared with the end of last year. The Bank continuously intensified the dissolving for collection and restructure on problematic credit corporates, adjusted and optimised credit business plan step by step to mitigate and dissolve credit risks.

At the end of 2021, the Bank's balance of loans overdue accounted for 1.61%, with an increase of 0.19 percentage point as compared with the end of last year. According to the regulatory requirements, the Bank adjusted the overdue identification standard for credit card, personal residential mortgage loans and title deed-secured loans since the fourth quarter of 2021, as a result of this, the proportion of the balance of overdue loans increased as compared with the end of last year. However, if eliminating the influence of above factor, the proportion of overdue loans decreased 0.08 percentage point as compared with the end of last year. The Bank's balance of loans overdue for no more than 90 days (including loans with principal paid and interest overdue for no more than 90 days) was RMB26,651 million, accounting for 0.87% of total principal of loans and advances to customers, with an increase of 0.33 percentage point as compared with the end of last year; the balance of loans overdue for more than 90 days (including loans with principal paid and interest overdue for more than 90 days) was RMB22,698 million, accounting for 0.74% of total principal of loans and advances to customers, with a decrease of 0.14 percentage point as compared with the end of last year; the balance of loans overdue for more than 60 days (including loans with principal paid and interest overdue for more than 60 days) was RMB26,670 million, accounting for 0.87% of total principal of loans and advances to customers, with a decrease of 0.21 percentage point as compared with the end of last year. In respect of overdue loans, the Bank took multiple targeted management and control actions, and developed recovery and restructuring conversion plans based on the actual conditions of customers. The Bank actively communicated with each related party to actively promote risk management and dissolving. Currently, the overall risks were controllable.

(6) Movements in impairment provision of loans

The Bank started to implement new accounting standards for financial instruments from 1 January 2018 and set up an expected credit loss model to measure the expected credit losses. In 2021, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB59,407 million.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(6) Movements in impairment provision of loans(Continued)

(In RMB million)	
Item	Amount
Beginning balance	63,219
Add: Provision	59,407
Less: Write-offs	(40,418)
Add: Reversal of written-off loans recovered	15,888
Less: Transfer upon asset disposal	(7,666)
Less: Decrease in loans due to increase in discounted value	(109)
Add: Other changes	(119)
Ending balance	90,202

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

(7) Balances of loans to the top ten borrowers and their proportions in total loans

At the end of 2021, the Bank’s loan balances to the top ten borrowers amounted to RMB59,289 million, accounting for 1.9% of the total principals of loans and advances to customers. Among them, the loan balances to the top five borrowers amounted to RMB36,641 million, accounting for 1.2% of the total principals of loans and advances to customers. The Bank’s top five borrowers are not associated with the Bank.

(8) Government financing platform loans

At the end of 2021, the Bank’s balance of government financing platform loans (including those reclassified as general corporate loans and those still managed as government financing platform loans) was RMB64,194 million, an increase of RMB4,440 million or 7.4% as compared with the end of last year; and accounted for 2.1% of the total principal of loans and advances to customers, down by 0.1 percentage point from the end of last year.

Among them, in terms of classification, the balance of loans that reclassified as general corporate loans amounted to RMB61,524 million, accounting for 2.0% of the total principal of loans and advance to customers, and the balance of loans that still managed as government financing platform loans amounted to RMB2,670 million, accounting for 0.1% of the total principal of loans and advances. The Bank’s government financing platform loans are of good quality and no non-performing loans existed at the moment.

(9) Distribution of loans by type of collateral

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

3.2.8 Analysis of loan quality

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

The Bank enhanced the management on liability resource, structure and cost. First, the Bank stuck to balanced development of quantity and pricing in general deposit business, promoted stable growth of deposit scale, and strengthened liability base. Second, it intensified marketized liability adjustment function, and maintained the whole bank’s reasonable and adequate liquidity to reduce its liability costs. Third, adhering to the principle of initiative and forward-looking, it studied and predicted the changes in policies and interbank competitive momentum, and made dynamic adjustments to the strategies of liability business in terms of volume, structure and pricing.

In 2021, the Bank’s businesses remained stable growth, the liability quality kept in safe and sound conditions, and all indicators stayed within a reasonable range. At the end of 2021, the Group’s net stable funding ratio was 103.18%, and liquidity coverage ratio was 103.52%, conforming to the requirements of CBIRC. In 2021, the Group’s NIM decreased by 9 basis points to 2.79% as compared with the same period last year; the average liability cost was down by 11 basis points to 2.21% as compared with the same period last year, and the average cost of deposit-taking was 2.04%, down by 19 basis points as compared with the same period of last year.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses

3.3.1 Continuous breakthrough and development of retail business transformation

In 2021, the Bank continued to deeply implement its “3 + 2 + 1” operating strategy, gave full play to the advantages of comprehensive finance and technology empowerment, and upgraded and brought up the “five-in-one” new model with interconnection, organic integration and comprehensive data-driven that includes comprehensive bank, AI bank, remote bank, offline bank and open bank, strived to provide massive customer groups with superior products and services, and created “warm” financial services.

In 2021, under the guidance of the “five-in-one” new model, the Bank’s retail business achieved steady growth, and the overall operation remained stable. The operating income in the retail business was RMB98,237 million, representing a year-on-year increase of 8.4%, accounted for 58.0% of the total operating income of the Bank; the net profit in the retail business was RMB21,498 million, representing a year-on-year increase of 17.3%, accounted for 59.2% of its total net profit. In July 2021, the Bank won the awards issued by The Asian Banker for the first time including “The Best Retail Bank in Asia-Pacific”, “China’s Best Retail Bank”, etc.

Key indicators of the retail business (Selected)

(In RMB million)

Dimensions	Item	12/31/2021	12/31/2020	Movements in the current year
Scale	Assets under management (AUM) of retail customers	3,182,634	2,624,762	21.3%
	Personal deposits	770,365	684,669	12.5%
	Personal loans	1,910,321	1,604,940	19.0%
Asset quality	NPL ratio of personal loans	1.21%	1.13%	+0.08 percentage point
Dimensions	Item	2021	2020	Movements in the current year
Profit or loss	Operating income from retail business	98,237	90,607	8.4%
	Proportion of operating income form retail business	58.0%	59.0%	-1.0 percentage points
	Net profit from retail business	21,498	18,327	17.3%
	Proportion of net profit from retail business	59.2%	63.4%	-4.2 percentage points

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

1. Private banking and wealth management

Key indicators of private banking and wealth management (Selected)

(In RMB million)

Item	12/31/2021	12/31/2020	Movements in the current year
Number of Wealth Management Customers (in 10,000)	109.98	93.42	17.7%
Number of Qualified Private Banking Customers (in 10,000)	6.97	5.73	21.6%
AUM Balance of Qualified Private Banking Customers	1,406,096	1,128,897	24.6%

The Bank upgraded its products, teams and professional capabilities, and holistically promoted the development of private banking and wealth management. At the end of 2021, the total number of the Bank’s wealth management customers exceeded one million, reaching 1099.8 thousand, representing an increase of 17.7% as compared with the end of the previous year; among them, the qualified private banking customers² reached 69,700 accounts, up by 21.6% as compared with the end of the previous year, the assets under management (AUM) of retail customers amounted to RMB3,182,634 million, up by 21.3% as compared with the end of the previous year, among which the AUM balance of qualified private banking customers amounted to RMB1,406,096 million, representing an increase of 24.6% as compared with the end of the previous year. In 2021, the Bank’s fee income from wealth management amounted to RMB8,215 million (personal precious metal agency service was excluded), representing a year-on-year increase of 18.6%, among which the funds agency income, insurance agency income and wealth management agency income amounted to RMB4,037 million, RMB1,516 million and RMB1,153 million respectively, representing a year-on-year increase of 82.7%, 15.1% and 74.4% respectively.

With respect to product upgrading, the Bank strengthened the construction of a full-category and open-ended products platform, actively promoted business innovation, and met the asset allocation needs from various customers from full shelf product system with selected and diverse strategies to product operation with technology running through the whole process. The private offering range covered mainstream investment advisory and flagship strategies, and the public offering products continued to forge its brand of “Ping An Preference”, intensified online operation and technology empowerment. At the end of 2021, the Bank’s the agency retaining scale of non-monetary public funds amounted to RMB150,325 million, increased by 65.8% as compared with the end of last year, the number of position customers increased by 112.8% as compared with the end of last year. For family trust business, the Bank joined with Ping An Trust to comprehensively upgrade family trust services with more customized trust allocation solutions and flexible trust protection mechanism, which fully meet the needs of Chinese families for their wealth-secured inheritance. In 2021, the amount of new established family trust and insurance trust reached RMB38,017 million, increased by 88.6% on a year-on-year basis, and kept a leading position in the industry. For layout of cross-border business, the Bank was the first batch of pilot financial institutions for the “Cross-boundary Wealth Management Connect Scheme” business, building the cooperative relationships with many foreign-funded banks, so as to expand investment and wealth management channels for the customers from Guangdong-Hong Kong-Macao Greater Bay Area.

With respect to team upgrading, the Bank actively enhanced the talent pool, attracted excellent talents from the market, strived to improve the teams’ expertise and empower of middle office, and enhanced its capability of internal development. The Bank has built a professional and competent private banking team and investment and advisory expert team with over

²The standard of private banking customers is the average daily assets in any month of recent three months is more than RMB6 million.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

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

1. Private banking and wealth management(Continued)

1000 and 150 staffs respectively to provide private banking customers with all-around wealth management services in 53 private banking centers across every provincial capital and major cities. Meanwhile, the Bank explored and built a wealth management team (“Ping An Bankers”) of “high-quality, high-productivity and high-income” with professional knowledge of insurance, and actively opened up a new track for sustainable growth of private banking and wealth management businesses.

With respect to upgrade of professional capability, the Bank deepened the transformation of assets allocation, and actively built the service mode of buyer’s investment and advisory. Through strengthening the construction of professional teams of investment research, investment and advisory and family office, as well as integrating the experts’ power within the Bank in the field of product, tax and law, the Bank provided customers with professional asset allocation services to improve the wealth’s health of customers. Meanwhile, it empowered the frontier teams by actively applying AI, same-screen sharing, micro-service and other technologies to provide “warm” and long-term accompanying services. For service upgrading of high net value customers, the Bank has built a top private banking centre, initiatively created service mode of “1+1+N”³ in the industry, strengthened the linkage of private and corporate services, and provided the ultra-high net value customer groups with long-term and comprehensive solutions covering “personnel+family+enterprise”.

In 2021, the Bank’s brand influence of private banking has increased continuously. The Bank actively participated in social and public welfare undertakings with private banking business as the link, initiatively launched the charity planning service of “Ping An Benevolence” in the industry, assisted the entrepreneur customers to set up the largest single individual entrusted charitable trust in 2021 in China. In 2021, “Ping An Public Welfare Platform” was selected as the third batch of the Internet fundraising information platform for charitable organisations that designated by the Ministry of Civil Affairs, to become the first platform for joint-stock commercial banks in China providing development and operation support. With the continuous improvement of its comprehensive capability in the field of private banking business, in 2021, the Bank was awarded “The Best Private Bank” by Retail Banking, “China’s Best Family Office” by Euromoney and “Charity Platform of the Year” by *Asian Banker*, etc.

³ “1+1+N” service refers to private bankers from branches, top comprehensive consultants from head office, and segmentation experts and consultants from internal and external work collaboratively to provide services to ultra-high net value customers.

2. Basic retail

Key indicators of basic retail (Selected)

(In RMB million)

Dimensions	Item	12/31/2021	12/31/2020	Movements in the current year
Customers/ Users	Number of Retail Customers (in 10,000 accounts)	11,821.20	10,714.93	10.3%
	Registered users of Pocket Bank APP (in 10,000 accounts)	13,492.24	11,317.53	19.2%
	Monthly active users of Pocket Bank APP (in 10,000 accounts)	4,822.64	4,033.14	19.6%
Agency	AUM balance brought from customers ⁴ of agency and batch business	539,183	368,755	46.2%
	Deposit balance brought from customers of agency and batch business	144,460	103,056	40.2%

Dimensions	Item	2021	2020	Movements in the current year
Deposits	Average daily balances of personal deposits	699,855	619,425	13.0%
	Average cost rate of personal deposits	2.30%	2.42%	-0.12 percentage point

The Bank deeply strengthened its basic retail base, fully upgraded business modes, actively promoted the integration and linking between credit card and debit card, advanced comprehensive operation and coordinated development, and continuously enhanced omnichannel customers acquisition and full-scenario operation, as well as the basic customer groups kept rapid growth. At the end of 2021, both retail customers and registered customers of Ping An Pocket Bank APP reached 118,212,000 and 134,922,400, representing an increase of 10.3% and 19.2% as compared with the end of the previous year respectively, among which the number of monthly active users (MAU) of Pocket Bank APP was 48,226,400, representing an increase of 19.6% as compared with the end of the previous year.

With respect to the improvement of deposit business, the retail business of the Bank adhered to the operating guideline of “scale growth, structure optimisation, foundation solidity and cost reduction”, and deeply promoted dual growth of quantity and quality in deposit business. Firstly, AUM driving deposits increase, the Bank placed more AUM in natural derivatives through providing customers with professional asset allocation services, and drove deposit product allocation through creating the brand of “Yi Nian Hui” for middle-age and senior customers. Secondly, comprehensive operation driving deposits increase, the Bank increased the repayment proportion using our bank card by encouraging customers to open credit card and debit card, and enhanced scenario-based operation of key customer groups including auto loan customers, housing loan customers, small and micro customers and young customers, so as to improve deposit precipitation. Thirdly, channel linkage driving deposits increase, the Bank promoted service brand of “An Xin Pay” through rolling out merchant discount payment activity, continuously expanded businesses of payment and settlement and bank card acceptance to drive

⁴Starting from the first quarter report of this year, the statistical standard of customers for agency and batch businesses has been adjusted to customers who have handled agency and batch businesses since 1 January 2020.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

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

2. Basic retail(Continued)

the increase in settlement and deposits, and expanded deposit customer sources through deepening the promotion and application of open banking models such as margin and flexible employment. At the end of 2021, the balance of personal deposits amounted to RMB770,365 million, up by 12.5% as compared with the end of the previous year; In 2021, the average daily balance of personal deposits increased by13.0% as compared with the same period of last year, the average cost rate of personal deposits decreased by 12 basis points to 2.30%, and the deposit cost was continuously optimised.

With respect to agency business expansion and development. First, focusing on key channels and target customer groups, the Bank continuously improved the scale of customer acquisition. Second, strengthening linkage and collaboration with the company’s business lines, the Bank continuously upgraded its service platform and product system. In 2021, it continuously upgraded its product of “Ping An Salary Manager” and created smart application platform of customers’ family master account and growth system of its comprehensive financial services output. In 2021, the number of binding customers of “Ping An Salary Manager” exceeded 380,000. Third, upgrading digital operation strategy, the Bank holistically constructed the system of agency customer groups to improve operational efficiency, at the end of 2021, the AUM balance from customers of agency and batch business amounted to RMB539,183 million, increased by 46.2% as compared with the end of last year, the balance of deposits amounted to RMB144,460 million, increased by 40.2% as compared with the end of last year.

With respect to the upgrading of the Ping An Pocket Bank APP, the Bank continued to focus on the layout of the “Finance + Life” online traffic platform, and created the main portal of digital operation. In 2021, the Bank focused on optimising the APP’s page layout and user access path, so as to effectively improve user experience. By promoting the marketing activities such as “88% discount every day for the whole city and worth 800 million gifts for you” and the ecological operation in private traffic, the Bank strengthened online traffic operation to continuously enhance users’ activeness and stickiness. Meanwhile, the Bank focused on cultivating the long tail customers and future customers, reshaped and upgraded APP design concept, based on users’ life cycle and provided customers with customised service experience through the accurate reaching operation of customer segmentation and scenario segmentation. By continuous iteration and upgrading, the Bank’s Pocket Bank APP had mature capability of intelligent and digital customer management, achieved full integration of financial services and various life-based scenarios, and provided users with comprehensive financial solutions with personalised, online and seamless characteristics.

3. Consumer finance

Key indicators of consumer finance (Selected)

(In RMB million)

Dimensions	Item	2021	2020	Movements in the current year
Credit Card	Balance of credit card receivables	621,448	529,251	17.4%
	The number of credit cards in circulation (in 10,000)	7,012.65	6,424.51	9.2%
	Total volume of transactions of credit cards	3,791,410	3,454,021	9.8%
Xinyidai	Amount of newly issued “Xinyidai”	144,933	105,284	37.7%
	Balance of “Xinyidai”	158,981	146,293	8.7%
Personal residential mortgage loans and title deed-secured loans	Amount of newly issued personal residential mortgage loans and title deed-secured loans	306,683	261,698	17.2%
	Balance of personal residential mortgage loans and title deed secured loans	654,870	528,384	23.9%
	Including: Balance of housing mortgage loans	279,376	239,467	16.7%
Auto finance loans	Amount of newly issued auto finance loans	254,334	221,098	15.0%
	Balance of auto finance loans	301,229	246,416	22.2%

The Bank reinforced the digital operation capability of credit card and loan products, strengthened the linkage among consumer finance business, private banking and wealth management business and basic retail business, deepened customer comprehensive operations, and increased the grant of title deed-secured loans with lower risk. Moreover, the Bank established and developed a credit product system on basis of tiered and grouped customer management and differential pricing to increase the market share of unsecured loans for high-quality customers, and the structure of businesses and customer groups was continuously optimised. At the end of 2021, the balance of personal loans amounted to RMB1,910,321 million, increased by 19.0% as compared with the end of last year, and the overall condition remained stable growth.

Credit Card

In 2021, the Bank practised the “five-in-one” new model, focused on integration of customer acquisition and operation, advanced teams’ transformation and upgrading, and promoted comprehensive operation. Relying on the fintech capability, it intensified refined operation for customer groups, scenario-based arrangement and intelligent services, and continued to create the ultimate experience of “fast, easy and good” for credit card customers. At the end of 2021, the credit cards of the Bank in circulation exceeded 70 million and reached 70,126.5 thousand, increased by 9.2% as compared with the end of last year, the balance of receivables from credit cards was RMB621,448 million, increased by 17.4% as compared with the end of last year. The total transaction amount of credit cards in the year was RMB3,791,410 million, representing a year-on-year increase of 9.8%, including the total transaction amount in the fourth quarter hit a record high of one trillion.

In terms of refined management on customer groups, the Bank enriched product rights and interests’ allocation to meet customers’ diverse needs. In 2021, the Bank continuously strengthened the ecological management of key customer groups and gradually formed a one-stop and holistic auto ecological operating system by taking refueling as main rights

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

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

3. Consumer finance(Continued)

and interests, and car washing, parking, battery-charging and maintenance as auxiliary ones. Since August, It linked with about 30,000 gas stations across all cards issuing cities nationwide to conduct jointly marketing activities, offering refueling discounts to cover million Ping An Credit Card holders. At the end of 2021, the number of credit cards in circulation for core car owners exceeded 25 million. The Bank innovatively upgraded the “Ping An Enjoy Platinum Credit Card” for young people, created a featured rights and interests’ platform based on the model of “card-benefit separation”, and made customers select the rights and interests’ allocation freely, so as to fully meet young customers’ diversified needs of consumption and rights and interests. For business travel customer groups, the Bank successfully issued American Express Gold Card jointly with American Express for business elites, and the product was equipped with 5 times of points for consumption on domestic mainstream business travel platforms, meanwhile, the user can enjoy customer benefits from hotels and parks of American Express platform, and brought superior service experiences to business travel customers.

In terms of scenario-based operation, the Bank advanced scenario-based arrangement to promote users’ activeness.

In 2021, the Bank continuously organised its branding activities named “8 transactions monthly for a lucky draw” and “88% discounts every day”, conducted large-scale marketing activity named “88% discount every day for the whole city and worth 800 million gifts for you” featuring with top Chinese carton IP Nezha, launched card kits of “debit card + credit card”, and realised accurate customers reaching through innovative modes such as enterprise Wechat and social media Tik Tok, attracting nearly ten million customers to participate. For “Pocket Supermarket” operation, the Bank intensified the construction and linkage of point-collection scenario and created the tailored contents on the Pocket Supermarket based on customers’ behaviors. In 2021, the total transaction volume of Credit Card Mall increased 18.7% on a year-on-year basis. Meanwhile, the Bank continued to deepen crossover cooperation, promoted strategic alliance mode, conducted openly cooperations with many top e-commerce platforms in the aspects of consumption scenario and payment filed, promoted joint operation and ecosystem building, and built a core ecological operating system; among them, it jointly launched new product “Jingxi Credit Card” with JD.com, the first co-branded cared for group buying scenario in the industry, more than a million cards were issued since it launched in February 2021.

In terms of intelligent services, the Bank strengthened team empowerment to improve customer experience and operational efficiency. First, in the aspect of optimising intelligent voice middle office, at the end of 2021, the intelligent voice middle office has embedded into 508 business scenarios and its outgoing calls reached 272 million in the year, representing a year-on-year increase of 58.8%. Second, in the aspect of strengthening the application of big data, the Bank creatively built the model of operation chain, accurately recommended various promotion activities and services for customers based on precise prediction on customers’ demands. It built intelligent identification of customers’ intentions and risk alert system, realised one-stop solution to customers’ issues through differentiated systematic layout, professional strategic construction and high-efficiency team services, to improve customer service experiences. Third, the Bank constructed a customer-level NPS⁵ prediction system, performed closed-loop supervision to customers’ journey through the online platform, and optimised customer experience, so as to improve customer satisfaction.

Xinyidai

At the end of 2021, the balance of the “Xinyidai” amounted to RMB158,981 million, increased by 8.7% as compared with the end of last year, and the newly issued “Xinyidai” in the year amounted to RMB144,933 million, representing a year-on-

year increase of 37.7%. By seizing the opportunity of upgrading of national consumption and continuous economic recovery and development after the pandemic, the Bank strived to increase its capability of serving main customer groups of small and micro enterprises. By adhering to prudent and sound risk policies, it continuously promoted the business products of “Xinyidai”, upgraded its online business process and improved customer experience. Firstly, the Bank continuously advanced the transformation of its online business process, and vigorously promoted the “Xinyidai Kuaidai”, a complete online product. In 2021, the proportion of online loans in newly issued “Xinyidai” was 71.8%. Secondly, the Bank further improved the intelligent risk pricing strategy, actively explored cooperation with external scenario platforms, expanded deep embedding of management and consumption scenario, fully connected to Internet ecosystem, and explored new business growth points. Thirdly, the Bank continuously broadened the coverage of high-quality customer groups for “Xinyidai”, intensified existing customers’ management, and provided customers with a full life cycle, high-quality and comprehensive financial services.

Personal residential mortgage loans and title deed-secured loans

At the end of 2021, the balance of personal residential mortgage loans and title deed-secured loans of the Bank amounted to RMB654,870million, increased by 23.9% as compared with the end of last year, of which the balance of personal property mortgage loans was RMB279,376 million, increased by 16.7% as compared with the end of last year, the newly issued personal residential mortgage loans and title deed-secured loans in the year amounted to RMB306,683 million, representing a year-on-year increase of 17.2%. Through the active implementation of the requirements on serving the real economy and vigorous implementation of policy guidance on supporting the financing needs of small and micro enterprises, the Bank launched “Home Equity Loans” (Kuaidai) for high-quality customers possessing high-quality real estate. In 2021, the newly issued “Home Equity Loans” amounted to RMB69,748 million, representing a year-on-year increase of 319.2%. Meanwhile, the Bank continuously optimised the service processes for existing small and micro customers, alleviated the repayment pressure of small and micro enterprises, and further improved inclusive financial service efficiency and customer experience.

Auto finance loans

At the end of 2021, the balance of the auto finance loans amounted to RMB301,229 million, increased by 22.2% as compared with the end of last year, and the newly issued auto finance loans in the year amounted to RMB254,334 million, representing a year-on-year increase of 15.0%, the market-leading advantage was constantly consolidated.

For auto ecological operation, the Bank focused on car owner customer groups management, the ecological construction of “Auto+ Finance” was continuously upgrading. First, the Bank continued to upgrade the “Che-E-Tong” platform and improved the online service system for car dealers to make it a one-stop comprehensive service platform that could satisfy the management and financial needs of dealers in terms of acquisition, resale and storage. Second, the Bank enhanced mid-office capability supports through promoting the management in private traffic, and upgraded the services before, during and after loan origination. Third, centering on the scenarios of customer buying vehicles, using vehicles, maintaining vehicles and trading vehicles, the Bank constantly upgraded online operation platform, and built one-stop customer groups service circle for car owners. At the end of 2021, the number of monthly active users of auto finance customer group (MAU) was almost 3094.2 thousand, increased by 29.4% as compared with the end of last year.

For product system upgrading, the Bank’s new business track such as second-hand vehicles and new energy vehicles was steadily accelerating. In the field of second-hand vehicle finance, uniting with authoritative platforms of all stages in the auto industry, the Bank segmented customer portrait, transaction scenario, market condition and marketing path to holistically penetrate into the ecological circle. Meanwhile, the Bank, together with Roland Berger and China Automobile Distribution Association, issued *2021 Report on Finance and Ecology of China Second-hand Vehicle*, and continued to lead the industrial development. In 2021, the newly issued loans of second-hand vehicles amounted to RMB45,197 million, representing a year-on-year increase of 27.1%. In the field of new energy vehicle finance, the Bank continued to cultivate its brand and formed its scale. In 2021, the newly issued⁶ loans of personal new energy vehicles amounted to RMB17,565 million, representing a year-on-year increase of 137.2%.

⁵NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population × 100%. It is an index that measures the probability that a customer will recommend a certain company or service to others. Depending on different survey channels, the index may be divided into NPS for customer services and NPS for physical outlets.

⁶The statistics of new energy vehicle loans granted includes new vehicles and second-hand ones.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

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

3. Consumer finance(Continued)

For online operation, the Bank continued to enhance technology empowerment, and further improved customer experience. The Bank continued to promote platform innovation, to realise online and paperless breakthroughs in operation mode by using an intelligent vehicle management platform. At the same time, by building the “Che Le Gao” platform, it supported business operations to complete page function configuration independently to improve face interview and billing efficiency. At the end of 2021, the penetration rate of independent operations in various businesses continuously increased, and the full-process operation time of commercial vehicle loans and second-hand car loans were reduced by 36.7% and 62.0% respectively as compared with the end of last year. In the 2021 China Auto Industry Summit, the Bank was awarded as “2021 Best Auto Financial Service Bank”.

4. Asset quality remaining steady

In 2021, the Bank’s retail risk management transformed from “product-centric” to “customer-centric” and constructed intelligent risk management system through the whole process and full products to safeguard businesses’ high-quality development. The overall asset quality maintained steady.

As the COVID-19 response entered the normalised management phase, domestic economic activity gradually recovered, and the consumer market returned to its growing range since the fourth quarter 2020. The Bank’s retail asset quality continued to improve since the fourth quarter of last year, and its overall risk level has fully recovered to the pre-epidemic level, and in particular, leading indicators such as flow rate have fallen back to the historically optimal range. At the end of 2021, the NPL ratio of the Bank’s personal loans was 1.21%, up by 0.08 percentage point as compared with the end of last year, down by 0.35 percentage point as compared with the peak time of COVID-19 (end of June) last year. Specifically, the NPL ratio of credit card receivables was 2.11%, down by 0.05 percentage point from the end of last year while that of “Xinyidai” was 1.01%, down by 0.12 percentage point from the end of last year, and the NPL ratio of auto finance loans was 1.26%, up by 0.56 percentage point from the end of last year. This was mainly due to the rising risk in commercial vehicle industry resulted from the external macro environment. The Bank has launched multiple regulatory actions in terms of customer groups access policy and dealer channels management to control the quality of new customers within a reasonable range, and at the same time, it increased the collection efforts to improve the quality of the existing business.

Since 2018, the Bank has gradually increased the proportion of secured loans and unsecured loans to high-quality white-collar customers, optimised personal loan structure, improved high-risk customers’ identification using its industry-leading technological capabilities and risk control models, implemented differential risk management strategies, and effectively enhanced its risk mitigation capability. Meanwhile, the Bank introduced a brand-new smart pricing strategy based on precise customer portraits and risk data analysis, and provided high-quality customers and small and micro enterprises (“SMEs”) with favourable loan pricing to serve the real economy in a better way and reduce the financing costs of individual business owners and SME owners. With respect to AI risk control, SAFE, the uniform AI-empowered anti-fraud system for the retail business, since its full operation in 2018, it prevented RMB5,060 million of assets from fraud attacks, among which the amount reached RMB2,609 million in 2021. In 2021, the Bank actively upgraded the organisational structure of the retail risk mid-office platform, set up a risk middle-office team, and built an unified customer-level risk management system, which not only empowered risk control teams in all business modules to improve the efficiency of risk management but also quickly supported the front-office platform to expand new retail businesses, as well as realised the output of risk control capability through open banking.

The Bank has continuously taken strict controls on the access of new customers and strengthened measures on the review of the ability and willingness of customers to repay loans, through which the overall quality of new customers was kept on a relatively good level. Auto finance loans were affected by the rising risk of commercial vehicle loans, so the quality

of new customers in 2021 was not improved as expected. However, the Bank has tightened the pre-loan access policy for commercial vehicle business in a timely manner and increased the collection of overdue loans. The asset quality of the overall portfolio of auto finance is expected to remain stable. At present, the external macro environment is still facing great uncertainty. The Bank has increased the inspection frequency of pre-loan policy and dynamically adjusted each strategy based on data performance.

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

Year of origination	Credit card receivables	“Xinyidai”	Auto finance loans
2018	0.29%	0.17%	0.17%
2019	0.36%	0.15%	0.28%
2020	0.19%	0.15%	0.35%
2021	0.19%	0.15%	0.35%

Note:
(1) “Ageing analysis”, also known as Vintage Analysis or an analysis of the accumulated default rates of a static pool of loans, is a method to track the credit assets by grouping them into different origination periods and compare them by their age groups to assess the asset quality of borrowers in each age group. The proportion of loans past due for over 30 days when the loans are aged 6 months = (the balance of loans originated or credit cards issued in the current year that are past due for more than 30 days by the end of the month when the loans or credit cards are aged 6 months) / (the amount of loans originated in the current year and aged 6 months or the overdraft balance of credit cards issued in the current year and aged 6 months).
(2) Figures of the ageing analysis in 2021 only represented the ageing analysis of loans issued from January to July in 2021. Loans issued from August to December have an age of less than 6 months and will be included for analysis when they are aged at or over 6 months.

(2) The new “Five-in-one” model driving accelerated operation

With customer-centric and data-driven as its core, the “Five-in-one” is a new development model that provides massive customer groups with top-quality products and services through technological measures. In 2021, the Bank made efforts to promote the full implementation of the new “Five-in-one” model, and the model’s driving effect on business growth initially appeared.

1. Open banking

Open banking is the scenario layer of the “Five-in-one” model and the flow pool for the development of retail business. On the one hand, the Bank provided the SaaS⁷-type financial services, and achieved “joint operation, joint construction of ecology and joint assistance for the real economy” through strengthening cooperation with various sector scenario providers. First, by upgrading products’ capabilities and enriching platform-based cooperation scenarios, the Bank provided partners with one-stop SaaS solutions. Second, through open banking applet, the Bank introduced the partners’ scenarios into Ping An Pocket Bank APP, constantly improved the quality and efficiency of customer acquisition and operation while empowering its management on customers’ interests and benefits and building the capability of comprehensive SaaS solutions to scenario providers. On the other hand, the Bank continuously enhanced its capabilities and advantages in ecological operation of core scenarios through self-establishing scenarios at offline outlets and deeply strengthening

⁷SaaS refers to Software as a Service

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

(2) The new “Five-in-one” model driving accelerated operation(Continued)

1. Open banking(Continued)

the scenarios within Ping An Group's ecosystem. In 2021, the retail open banking of the Bank acquired 3,409.9 thousand customers through the Internet channel⁸, accounting for about 30% of the total customers acquired by the retail business.

The Bank continued to strengthen the construction of open banking SaaS functions and promoted open capacity and open flow development. As for capability development, by the end of 2021, the Bank's retail open banking platform has issued 819 products and 1,943 APIs and H5 interfaces, covering the atomic product capabilities such as accounts, wealth management, payment, security deposits, loans, gateways and credit cards, and issued more than 10 industrial solutions in the fields of human resource, education, real estate, lawyer service, e-commerce and operator. In addition, the Bank upgraded the Ping An Digital Account (MAX), enriched external cooperation scenarios and enhanced agile configuration capabilities. At the end of 2021, Ping An Digital Account (MAX) has been launched on 80 leading institutions in vertical fields, and the customers acquired accumulated to 1,220 thousand. As for flow development, the Bank introduced external life scenarios that are frequently used by customers in a standardised and self-help way through its open banking applet, and built the pocket “Finance + Life” ecosystem to realise closed-loop operation of banking services and scenarios such as “clothing, food, housing, travel and entertainment”. At the end of 2021, the Bank's retail open banking applet has launched 69 functions and 364 APIs, covering membership, payment, marketing and basic APP functions.

2. Portable banking

“AI + T + Offline” is the core service matrix of the Bank's “Five-in-one” model and the operation chain and service network for the development of retail business. Relying on leading technology advantages and returning to the original purpose of service, the Bank forged the “AI + T + Offline” portable banking model with human-machine collaborative services centred on customers, built omnichannel and integrated customer service experience, and provided customers with accompanying and “warm” financial services. At the end of 2021, the “AI + T + Offline” model has launched more than 1,400 application scenarios, serving more than 31 million customers annually, and the contribution of this model to the growth of basic customer groups continued to increase. At the end of 2021, the number of customers in mass wealthy level⁹ increased by 22.2% as compared with the end of last year, about 1.6 times as compared with last year, and the number of customers in mass ten-thousand level¹⁰ increased by 19.0% as compared with the end of last year, about 1.3 times as compared with last year. Meanwhile, the customer satisfaction of the Bank remained a higher level. In December 2021, the Bank's customer services obtained a Net Promoter Score (NPS) of 85.7%, while the physical outlets reported a NPS of 92.2%.

AI banking With the help of AI and big data technologies, the Bank continued to boost full-scale AI applications in its retail banking business through knowledge governance, data analysis and model iteration. With respect to AI account managers, the Bank created customer-centric accompanying services in all aspects and throughout their whole life journey. At the end of 2021, AI account managers have launched over 900 scenarios, and the annual monthly average number of customers served by AI account managers increased by 149.3% year-on-year. With respect to AI customer services, the Bank fully upgraded mobile hall services and built the “AI + T + Offline” service express to connect the service journey between customer service and banking experts in one fell swoop and provide more efficient comprehensive financial services for

customers. At the end of 2021, the one-time problem-solving ratio and the proportion of unmanned services of the Bank exceeded 90%.

Remote banking The Bank continued to build its remote banking with intelligence, integration and human-machine collaboration, reached customers in an active and timely manner, and provided a full range of financial and life services. On the one hand, with the empowerment of AI big data, the Bank altered traditional service modes to form “mobile service forces” in a multi-queuing, customised and life-oriented manner, and provided customers with holistic life and financial scenario services through linking between online and offline and actively reaching to customers. On the other hand, the Bank constantly migrated the traditional counter services to online and remote channels by using the self-developed and promoted “Cloud Counter”. At the end of 2021, the “Cloud Counter” has covered more than 98% of retail non-cash business at outlets.

Offline banking The Bank attached great importance to the construction and upgrading of offline outlets and teams in an effort to provide customers with the warmest financial services. On the one hand, the Bank strived to promote the outlets to meet customers' unique and diversified needs with scenario-based operations, by creating unique outlets in the fields of health, senior caring and children. The Bank enhanced the construction of socialised and ecological offline outlets and provided customers with localised and customised services which are closer to their needs. And the Bank focused on high-frequency life scenarios and promoted the ecosystem construction for merchants “within three kilometres from an outlet”. In 2021, the accumulative private domain traffic of outlet ecosystem exceeded 3 million and customers newly acquired went beyond 400 thousand. On the other hand, the Bank continuously strengthened technology empowerment, comprehensively improved teams' operational service capability, expanded outlets' service boundary through upgrading the intelligent tools such as “Pocket Banker”, intelligent business development platform and enterprise WeChat, and forged offline outlets to a “warm” comprehensive operation main front.

3. Comprehensive banking

Comprehensive banking is the capacity layer of the “Five-in-one” model and the driver for the development of retail business. The Bank promoted rapid improvement of teams' professional capabilities by linking its five core capabilities of data, product, rights and interests, technology and risk, and provided customers with high-quality comprehensive finance and life solutions with the characteristics of one-stop, full package and coordinated sequence. The Bank continued to promote the integration of debit and credit cards. At the end of 2021, the dual-card rate of new credit card customers increased by 9.9 percentage points as compared with the end of the previous year, and the repayment rate of the Bank's card increased by 4.5 percentage points as compared with the end of the previous year. In addition, the Bank fully deepened the linkage between public and private banking, promoted the joint management of customers, data asset sharing and joint construction of a linkage mechanism, gave play to their respective advantages, and improved the comprehensive service experience for customers.

In 2021, relying on Ping An Group's personal comprehensive finance platform, the Bank boosted its business growth with the capability of outputting products, channels and accounts while empowering the individual business development of Ping An Group. First, through its cooperation with professional companies within Ping An Group, the Bank enhanced its capacity of product development, which enabled it to provide customers with comprehensive financial solutions to meet their needs on the premise of compliance. In 2021, the Bank achieved an excellent result again in the insurance trust business, with a growth of RMB29,284 million, representing a year-on-year increase of 95.0%. Second, the Bank actively integrated itself into the ecosystem of Ping An Group, continuously enriched scenario establishment, and expanded external cooperation. As for the auto ecosystem, by integrating industrial chain resources, the Bank built a one-stop service platform covering “car insurance, car service and car life” based on the needs of car owners, actively explored strategic cooperation with external ecological partners, promoted the cooperative pilots with offline outlets, and pushed forward the interconnection of bilateral membership systems. It continued to expand its new scenarios of auto service and upgraded its product and service system. Third, the Bank enhanced the collaboration with professional companies within Ping An Group and continued to improve the customers' rights and interests and service system in the fields of health industry, high-end medical treatment, culture and sports and charity activities.

⁸The statistics are based on the number of new debit card accounts after excluding those acquired from the comprehensive finance channels of Ping An Group.

⁹The standard for being a customer in mass wealthy level is “RMB50,000 ≤ the customer's monthly average daily assets in any month in the past three months < RMB200,000”.

¹⁰The standard for being a customer in mass ten-thousand level is “RMB10,000 ≤ the customer's monthly average daily assets in any month in the past three months < RMB50,000”.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Continuous breakthrough and development of retail business transformation(Continued)

(2) The new “Five-in-one” model driving accelerated operation(Continued)

3. Comprehensive banking(Continued)

Meanwhile, the Bank continued to deepen the innovation and upgrading of the MGM (Member-Get-a-Member) online operation model, and the contribution of comprehensive finance to retail business remained stable. On the one hand, the Bank explored the flow management model in private domain, and guided VIP customers to flexibly acquire customers through innovative methods such as UGC (User Generated Content). In 2021, the cumulative volume of sharing and forwarding was over 160 million. On the other hand, it continuously optimised SAT (social media + mobile applications + remote services/tele-services), a closed-loop operational intelligent tool, to boost SAT motivation and effectiveness of VIP customers. In 2021, the AUM transaction amount accumulated from SAT sharing covered 44.5% of that from total MGM. In 2021, the number of new customers attracted through the MGM model represented a net increase of 5,647.5 thousand, accounting for 51.0% of overall new retail customers; the number of new wealth customers attracted through the MGM model represented a net increase of 99.4 thousand, accounting for 60.0% of the overall new wealth customers; the number of private banking customers represented a net increase of 6,400, accounting for 51.6% of the overall new private banking customers; the balance of assets under management of retail customers (AUM) represented a net increase of RMB313,574 million, accounting for 56.2% of the overall asset balance of the new retail customers; “Xinyidai” granted amounted to RMB72,449 million, accounting for 50.0% of the overall new issuance of “Xinyidai”; auto finance loans granted amounted to RMB64,452 million, accounting for 25.3% of the overall new issuance of auto finance loans; the number of credit cards issued was almost 3,067 thousand accounting for 25.9% of the total number of newly issued cards.

3.3.2 Specialised and strong corporate business

2021 is the year of continuously deepening strategy for corporate business, adhering to the customer-centric principles, the Bank established a business model of “AUM + LUM + operation platform” for corporate business and conducted specialised and strong corporate business. For corporate business, the Bank practised the “3 + 2 + 1” corporate business strategy, relying on the advantages of Ping An Group’s “Finance + Technology” strategy, the Bank accelerated the digital operation, and assisted by technologies such as AI, blockchain and IoT in an extensive and comprehensive way, and fully supported the balanced development of the whole Bank’s business and the implementation of the retail transformation strategy.

In 2021, the Bank accelerated to promote upgrading from management mode to ecological mode of corporate business operation. As for industrial digitization, it upgraded the business model of transaction banking, reshaped value evaluation on corporate customer and layered operation system under digital economy environment, and reinforced the construction of technological transaction bank. As for capital market and direct financing, it strengthened the differentiated advantages of complex investment and financing business, increased customers’ AUM (Assets Under Management of corporate customers) and LUM (Total Financing of corporate customers) by using complex investment and financing, strengthened forward-looking prediction of “risk-oriented brain” and dynamic control of portfolio risk, established new energy for corporate business, and opened up a new growth curve.

In 2021, the Bank achieved steady growth in corporate business, and the operating income of corporate business was RMB43,377 million, representing a year-on-year increase of 10.4%. In terms of customer acquisition and customer

management, at the end of 2021, the number of corporate customers was 510.4 thousand, representing an increase of 80 thousand, representing 1.48 times as compared with last year. The enterprise customers served by the Bank’s corporate open banking numbered 30,305, increasing by 154.7% as compared with the end of last year. The number of registered corporate users of the Bank’s Digital Pocket APP accumulated to 8,139.4 thousand, representing an increase of 682.5% as compared with the end of last year. In terms of corporate deposit management and cost optimisation, at the end of 2021, the balance of corporate deposits was RMB2,191,454 million, representing an increase of 10.2% as compared with the end of last year, of which the balance of corporate demand deposits was RMB877,398 million, representing an increase of 3.1% as compared with the end of last year. In 2021, the daily average balance of corporate deposits amounted to RMB2,090,380 million, up by 10.1% from 2020, among which the daily average balance of corporate demand deposits was RMB819,237 million, up by 22.7% from 2020, and accounted for 39.2% in the daily average balance of corporate deposits, representing an increase of 4.0 percentage points as compared with 2020. The average cost rate of corporate deposits was 1.96%, down by 21 basis points as compared with 2020. In terms of asset quality, at the end of 2021, corporate NPL ratio was 0.71%, a decrease of 0.53 percentage point from the end of prior year.

(1) Customer management platform

The Bank’s Digital Pocket APP, as Ping An Group’s digital asset management and comprehensive service platform for small, medium and micro enterprise users, exported digital capabilities for small, medium and micro enterprises, served as a portable digital management steward for business owners, and constantly upgraded experience, function and operation to provide users with more open, more intelligent and more diversified financial and non-financial services. In November 2021, the Bank officially released the White Paper on the Digital Value System of Ping An Bank’s Corporate Users in the Era of Digital Economy. By building the SCORE user value assessment model which focused on five dimensions, namely Source (data asset), Conduct (behavioural performance), Operation (operational qualification), Revenue (revenue contribution) and Ecosystem (ecological premium), and 24 indicators, the Bank re-explored user value from single income to comprehensive financial income, from single user value to ecological comprehensive value and from current value to full life cycle value, established the implementation path of “expanding customers scale- energising transaction conversion-achieving value realisation” to ultimately enhance the overall value of corporate customers. Meanwhile, based on this value system, the Bank implemented classified and layered operation of users, enriched the operation matrix of “scenario + product + channel”, created a closed loop of financial and non-financial ecological transactions of Ping An Group, and continued to increase user activity and promote user value enhancement. At the end of 2021, the number of monthly active users of the Bank’s Digital Pocket APP was 579.4 thousand, representing an increase of 159.4% as compared with the end of last year, and the number of ecological transaction users¹¹ was 3,276.1 thousand.

The Bank built the new digital treasury management platform as a key service provider for large and medium customers in accordance with industry leading standards, deeply integrated into corporate customer management and helped customers dynamically improve treasury management capabilities. The digital treasury management platform has many functions including group fund management, information management, account management, group budget, fund early warning, smart sorting, collection and payment management and company cockpit (fund Kanban, fund analysis, fund forecast) and can provide all-in-one solutions of business, capital and tax for corporate customers. It supports corporate customers to grasp the overall treasury status of multiple levels, multiple areas and multiple operating entities of the entire group in real time and guarantees the reasonable allocation of corporate customers’ funds and the effective revitalisation of assets to maximize the value of fund assets. At the end of 2021, the total number of customers served by the Bank’s digital treasury management platform exceeded 900, including about 300 signed group customers, and 600 corporate customers under management.

¹¹Users who entered the Ping An Group ecological financial transaction scenario or completed non-financial transactions of the Digital Pocket APP.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Specialised and strong corporate business(Continued)

(1) Customer management platform(Continued)

The Bank fully upgraded open banking and established the Nebula Open Alliance. Focusing on four major types of service providers (platform service providers, software service providers, data service providers and offline service providers) and the “4+1” key node customers of PE/VC, the Bank established unified alliance standards, provided rich technical interfaces and financial services and created an open cooperation mechanism. The Bank operated and grew together with ecological partners, jointly reached and operated a large number of small, medium and micro customers, formed the full-coverage output model of B2B2C, and built an open, cooperative and win-win financial service ecosystem. In 2021, the number of transactions of the Bank’s corporate open banking amounted to 8,303 million, representing a year-on-year increase of 91.8%, and the transaction amount was RMB26.6 trillion, representing a year-on-year increase of 53.8%. At the end of 2021, the Bank’s corporate open banking launched 5,889 Application Programming Interface (API) services, representing an increase of 130.9% as compared with the end of last year, and the annual daily interface calls exceeded 86 million, representing a year-on-year increase of 170.0%.

(2) Payment and settlement

The Bank’s payment and settlement business focused on three major customer groups, namely consumer Internet, industrial Internet and government platform and created the comprehensive operation model of “platform payment and settlement + platform B-end digital financing + platform C-end retail customer attraction” to support the standardised, healthy and sustainable development of the platform economy. First, focusing on key head customers, waist customers in the vertical industry and middle and long-tail customers in the service provider ecosystem, the Bank formed ladder-type operation and provided customers with integrated payment and settlement services such as diversified receipt, fund management and smart sorting. Second, combining the payment and settlement data of the platform, the Bank created an innovative digital financing model based on the needs of platform buyers’ procurement financing and sellers’ payment for goods in advance and supported the operation and development of a large number of B-end small, medium and micro merchants under the platform. Third, focusing on scenarios such as platform margin trading and prepaid fund consumption, the Bank created the integrated service solution of “retail electronic account + corporate fund management” to achieve batch customer acquisition and scenario-based operation for platform C-end users. In 2021, the Bank launched 17,127 million transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, representing a year-on-year increase of 202.9%; the amount of transactions reached RMB22.31 trillion, representing a year-on-year increase of 132.9%.

(3) Supply chain finance

The Bank looked deep into supply chain scenarios and ecology and constantly innovated the business model. First, the Bank strengthened digital supply chain finance and used the “Nebula-IoT Platform” and massive multidimensional data to resolve the pain point of information asymmetry between banks and enterprises, innovate the financing model, reduce the credit dependence on core enterprises and realise customer sinking to help resolve the lack of financing and high costs financing facing SMEs and support the real economy. Second, the Bank deepened scenario-based supply chain finance and provided customers with “supply chain+” comprehensive finance services based on scenarios and customer needs and with supply chain finance as a link, such as integration of domestic and international trade and integration of supply chain and risk avoidance, to meet the supply chain comprehensive finance needs of customers. Third, the Bank created ecological supply chain finance, output “finance + technology” capabilities through componentisation and standardisation of open banking to realise bulk customer acquisition from the ecosystem and in-depth customer management. In 2021, the Bank’s amount of supply chain finance financing incurred was RMB959,911 million, a year-on-year increase of 33.7%.

Meanwhile, by applying the Internet, cloud computing, blockchain, AI and other technologies, the Bank further optimised and upgraded the supply chain finance platform “Ping An Good Chain”, provided online supply chain finance services for core enterprises and their upstream small, medium and micro customers, including recognition and transfer of accounts receivable, financing, settlement and risk management, and achieved intelligent and digital operation of supply chain business. At the end of 2021, the Bank provided finance services for 21,690 enterprises in total through the platform “Ping An Good Chain”, and the annual trading volume was RMB149,873 million with a year-on-year increase of 81.2%; the annual amount of financing incurred was RMB51,976 million with a year-on-year increase of 62.8%.

(4) Bills

The Bank thoroughly implemented the operation strategy of “bill integration”, continuously strengthened product innovation with the advantage of “finance + technology”, gave full play to its efficient and professional trading capabilities by connecting external platforms to expand bill sources, and continued to improve the comprehensive income of assets with the two-wheel driver of “direct discounting + re-discounting”. In 2021, the Bank launched the new business model of “bills + open banking” by optimising online processes and cooperated with external core enterprise platform, B2B platform and other channels to effectively enhance the ability to reach and serve supply chain customer groups and small, medium and micro customers and deepen service to the real economy. Meanwhile, with the help of “finance + technology” capabilities, the Bank started to build “Ping An Good Bills”, a bill product system integrating the whole process, all channels and the whole life cycle, and launched a special zone for bills of “Ping An Good Bills” in the Digital Pocket APP that provides whole process online services such as self-service quota creation, fast billing and discounting to create a superlative customer experience.

In 2021, the Bank provided bills financing services for 17,203 enterprises, including bills discounting financing services for 11,003 enterprises, a year-on-year increase of 229.6%; the bank acceptance notes discounting was RMB616,475 million, a year-on-year increase of 37.3%; the bills acceptance was RMB995,416 million, a year-on-year increase of 25.7%.

(5) Cross-border finance

The Bank fully leveraged its advantages in five major cross-border financial service sectors, including onshore, offshore, free-trade zone, NRAs (non-resident accounts) and overseas branches, further developed product series such as the “Cross-border Investment and Financing, Cross-border Fund Management, Cross-border Trade Finance, Cross-border Inter-bank Finance and Cross-border Payment and Settlement”, and focused on the investment, financing and refinancing needs of Chinese-funded enterprises in their overseas operations, cross-border mergers and acquisitions and privatisation, to provide enterprises with one-stop cross-border finance comprehensive services of “investment banking and commercial banking integrating overseas and domestic branches, domestic and foreign currencies”. At the same time, relying on the technologies such as big data, AI and blockchain, the Bank provided online financing product “Export E-loan” for small and medium export enterprises, and upgraded online service functions and experiences of Cloud Counter, Cross-border zone on Digital Pocket and Cross-border E-bank to promote product innovation and intelligent service upgrading and fully support the real economy. At the end of 2021, the Bank’s balance of corporate loans denominated in foreign currencies amounted to an equivalent of RMB187,224 million, a year-on-year increase of 6.6%; in 2021, the main operation indicators including total assets, deposit balance, loan balance and revenue of the Bank’s offshore businesses ranked No. 1 among Chinese-funded offshore banks,

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Specialised and strong corporate business(Continued)

(6) Comprehensive finance

Relying on Ping An Group's comprehensive finance, the Bank explored its advantages in corporate business channels and enhanced service capability of comprehensive finance scenarios. Products and services of professional companies within Ping An Group and external channels were combined with the Bank's businesses in terms of process and product design, taking integrated measures to serve corporate customers. The Bank used technologies to promote the two-way linkage of AUM and LUM to facilitate a rapid breakthrough in their business.

Continuously expanding various businesses with technologies. By establishing an insurance zone in the "Digital Pocket", customising equipment financing products and exporting service capabilities of group enterprises (e.g., Zhiniao, Caiku, Ping An Salary, etc.), the Bank helped remove operating barriers and lower operating costs while meeting the comprehensive finance needs of corporate customers. The Bank continued to iterate "Intelligent Investment Bank", the complex investment and financing business management system of the Bank, and empowered the marketing support, management allocation and operational decisions for complex investment and financing business with "Intelligent Marketing", "Intelligent Management", "Intelligent Decision-making" and other functions. Further, the Bank used technology platform and AI assistant to enable customer operation, won customers with ecological scenarios supported by products, functions and rights, and facilitated high-quality growth in banking customers.

Expanding AUM and LUM for customers with complex investment and financing. Industry banking, investment banking and comprehensive finance cooperated with united strength. Adhering to the customer-centric principles on all fronts, the Bank pooled resources and built investment and financing ecosystems such as "housing ecosystem", "auto ecosystem", "infrastructure ecosystem" and capital market to meet the diverse and personalised needs of customers, achieve in-depth customer operation and expand AUM and LUM for customers. In 2021, the Bank's complex investment and financing scale was RMB1,159,120 million, representing a year-on-year increase of 6.6%, among which the investment bank financing scale was RMB734,825 million, representing a year-on-year increase of 7.8%. Bank consortium and mergers and acquisitions businesses led the growth in the investment banking scale; the bank consortium business scale was RMB161,768 million, with a year-on-year increase of 91.6%, and the mergers and acquisitions business scale was RMB55,617 million, with a year-on-year increase of 14.9%.

Achieving significant growth in performance with continuously improving comprehensive finance capabilities. By creating "ecological comprehensive expansion", the Bank leveraged Ping An Group's comprehensive finance advantages, linked resources such as products and services within the Ping An Group and from external channels, enhanced the service capability of finance scenarios for customers, and fully served customers with insurance and investment and financing products. The Bank used technology platform and AI assistant to enable customer operation, attracted high-quality customers from comprehensive finance channels, and promoted sustainable and high-quality growth of the Bank's corporate business. For the comprehensive expansion business, in 2021, the premiums from banking insurance amounted to RMB3,259 million, representing a year-on-year increase of 20.7%; the financing amount of other professional companies of Ping An Group pushed by the Bank reached RMB473,407 million, representing a year-on-year increase of 16.8%; the average daily deposit of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB170,718 million, up 18.5% as compared to 2020, among which the daily average demand deposits accounted for 50.5%.

3.3.3 New development of interbank capital business

Adhering to the concept of "serving the financial market, serving interbank customers and serving the real economy", the Bank kept up with the national financial development strategy and took the initiative to act. It focused on the three main lines of "new transactions, new interbank and new asset management", actively seized the development opportunities arising from the opening, innovation and interconnection of the capital market, cultivated business characteristics and professional advantages, and made every effort to create the "five golden business cards". And the Bank continued to improve the two core capabilities of "sales and transaction" and deepened the application of fintech in "one intelligent treasury system platform" to make digital operation more effective and service to the real economy warmer and achieve higher-quality development on the basis of steady growth.

(1) Continuously improved capability of transaction to serve the financial market

The COVID-19 has been ravaging global economy for two years. External environment becomes more complex and severe. Global inflation is on the rise. The Federal Reserve continued to scale back bond purchases, and expectations of stagflation and interest rate hikes increased. Overseas developed countries have fallen into a fragile path of "W-shaped" recovery. Domestically, economic development faced triple pressures of shrinking demand, shocked supply and weakening expectations, and policies to stabilize growth appeared. Under the policy combination of "accommodative monetary policy + stable credit", the People's Bank of China increased its support for the real economy through various policy tools such as lowering reserve ratio. The overall liquidity was reasonable and abundant, and the speed of credit expansion slowed down. The bond market was volatile and represented steady gains throughout the year.

In terms of market-making transaction, the Bank actively seized the development opportunities arising from the opening, innovation and interconnection of the financial market for FICC (fixed income, currencies and commodities), expanded more FICC cross-market and cross-variety portfolio hedging transactions, applied deep learning, natural language processing and other technologies, automatically processed and analysed public opinions information on bond market, and deepened the fintech application in investment research. Relying on the advanced transaction system and investment research and strategy development platform, the Bank used accurate pricing technology, agile transaction execution capability and efficient real-time risk control capability to play an active role in improving market liquidity and market pricing efficiency. In 2021, the Bank's market share of the volume of major market-making transaction varieties maintained at the top among markets, among which the market share of the volume of bond transaction was 2.3%.

In terms of sales and trading, the Bank actively explored the effective model to serve financial institutions with transaction capabilities, continuously enhanced the coverage of transaction services to city commercial banks, rural commercial banks and asset management institutions, and improved the activity of local debt and other varieties with leading market-making and quotation capabilities. At the end of 2021, sales and trading have served more than 500 financial institution customers. Since the Bank officially launched its electronic market-making platform in November 2021, which is connected to China Foreign Exchange Trade System (CFETS), customers' trading has become increasingly active, and many domestic and foreign banks and asset management institutions have conducted transactions with the Bank through CFETS. The Bank is the first commercial bank in the industry to open a flagship store at China Foreign Exchange Trade System. In the selection of the 2021 China Financial Innovation Award by the magazine The Banker, the Bank's flagship store won the "Top 10 Financial Technology Innovation Award".

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

The Bank's "Ping An Risk Avoidance" business strictly performed the responsibilities of risk neutrality advocacy and service and helped enterprises establish the foreign exchange risk management goal with "preservation" at its core to reduce the impact of exchange rate fluctuations on enterprises' main business and finance as much as possible. In addition, the Bank's "Ping An Risk Avoidance" closely followed major national strategic plans and took the initiative to act. It focused

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.3 New development of interbank capital business(Continued)

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

on expanding small, micro and medium-sized enterprise customers in new economic formats represented by strategic emerging industries, green environmental protection and advanced manufacturing and helped enterprises optimise asset allocation, improve liability cost and enhance liquidity to become a risk avoidance expert trusted by customers. Considering the characteristics of small, micro and medium-sized enterprises such as having a large number of transactions and small transaction amount, the online transaction model of “Ping An Risk Avoidance” business combined “transaction capability + technology capability + service capability” to provide self-service transaction, fast calculation and other functions and guided enterprises to select appropriate products for the purpose of preserving value based on their own business needs to greatly improve the business processing efficiency and service experience of enterprises. In 2021, the transaction volume of “Ping An Risk Avoidance” foreign exchange and interest rate derivative business was USD29,004 million, representing a year-on-year increase of 95.7%.

(3) Continuously deepening ecological cooperation with interbank institutions

The Bank’s interbank business implemented in depth the concept of “hive customer operation”, built a mutually beneficial interbank ecosystem with all stakeholders, and created a new brand of interbank institution sales. First, the Bank made every effort to provide services to connect interbank institutions with products and continued to innovate the model of serving financial institutions. It launched the “Hang-E-Tong +” service modes and assisted product providers to expand sales channels and sales organizations to add product categories to construct a network structure of interbank business cooperation and support interbank institutions to better serve their retail and corporate customers. Second, the Bank took advantage of its comprehensive finance service and focused on improving the comprehensive service capability of sales teams. It followed customers’ fund flows to embed services in customer operation scenarios and helped interbank customers manage and control investment risk and improve customers’ product purchasing experience. Third, the Bank built a public fund cooperation ecosystem. By integrating the resources of Ping An Group, the Bank optimised the operation strategy for public fund customers and expanded all-round cooperation scenarios such as agency fund sales, custody and bond sales. Fourth, giving full play to its role as a liquidity stabiliser, the Bank grasped customers’ fund flows and accelerated scenario-based operation of interbank demand deposits to improve the ability to expand low-cost interbank liabilities. At the end of 2021, the Bank’s “Hang-E-Tong” provided services to 2,370 customers; in 2021, interbank sales numbered RMB1,482,967 million, representing a year-on-year increase of 84.0%.

(4) Increasingly sound construction of custody service system

For asset custody business, the Bank continued to promote the diversification of comprehensive service and the construction of integrated services of “investment, financing and custody”, focused on core customer groups, made deep and intensive efforts, and focused on expanding products with high comprehensive benefits; meanwhile, the Bank integrated the internal products and services of Ping An Group, comprehensively optimised value-added services based on customer demand, launched special services such as “Custody Operation Physical Examination Report” and “Asset Health Consultant KYZ (Know Your Zhai)” and fully upgraded the functions of Custody Steward and Custody Tianli to help customers increase their value with broader active custody service capabilities and win initial success in building the market reputation of “choose Ping An for custody service”. At the end of 2021, the Bank’s net custody assets amounted to RMB7.62 trillion, increasing by 31.0% from the prior year-end, and the market share of asset custody business accounted for 3.99%, up by 0.55 percentage point as compared with the end of last year, hitting a record high of the Bank’s custody market share in the past three years.

(5) Fruitful transformation and upgrading of asset management business

Ping An Wealth Management, a wholly-owned subsidiary of the Bank, was officially opened for business in August 2020. The registered capital of Ping An Wealth Management is RMB5 billion, and its principal business activities include issuance of public and private wealth management products, financial advising and consulting service and other asset management related businesses. At the end of 2021, Ping An Wealth Management recorded total assets of RMB7,382 million and net assets of RMB6,783 million; in 2021, it derived an operating income of RMB2,647 million and a net profit of RMB1,616 million.

In the final year of the transition period for new asset management regulations, Ping An Wealth Management steadily and orderly promoted the transformation and development of asset management business while strictly implementing regulatory requirements on reduction, and achieved obvious results in wealth management product sales management, customer operation service, product system construction, risk management and other aspects, showing rapid growth of product scale and significant increase in profitability. First, Ping An Wealth Management actively and steadily promoted the reduction of old products. At the end of 2021, the proportion of old products to the total wealth management scale decreased to 3.9%, which is at a low level in the industry. Second, while deepening cooperation with the Bank’s sales channels, it actively expanded agency sales channels so that wealth management business developed rapidly and the growth rate of its scale was at the forefront of the market. Third, it actively integrated into major business scenarios such as retail credit cards to facilitate rapid growth of the number of retail wealth management customers. Fourth, it continuously improved product system to fully meet the investment needs of customers for different risk and return goals and actively researched and developed Environmental, Social and Governance (ESG) products and pension products to fulfil the social responsibility of Ping An Wealth Management. Fifth, it further consolidated the comprehensive risk management system, adhered to stable risk preference, strictly controlled risks and optimised processes to build a strong defence against wealth management risk. At the end of 2021, the Group’s balance of non-principal-guaranteed WMPs was RMB872,066 million, increasing by 34.5% compared with the end of last year, among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB838,365 million, representing an increase of 80.9% as compared with the end of last year, and its proportion to the balance of non-principal-guaranteed WMPs increased from 71.5% at the end of last year to 96.1%.

3.3.4 Technology-empowered digital operation

The Bank adopted the principle of “being technology-driven” as the driving force for strategic transformation and built the “five leading technological capabilities” of technical capability, data capability, agility capability, talent capability and innovation capability to provide support for digital operation. In 2021, the Bank’s IT capital expenditures and costs were RMB7,383 million, a year-on-year increase of 2.4%. The Bank continued to increase investment in technology and enhanced the refined management of R&D to improve production efficiency.

(1) Achievements of technology-empowered digital operation

The Bank widely applied “five leading technological capabilities” in various business fields, empowered the upgrading of front, middle and back office management, promoted comprehensive digital operation, and facilitated the realisation of the goals of “three firsts” in decision-making, “three promotions” in operation and “three reductions” in management. In 2021, the Group’s cost/income ratio was 28.30%, a year-on-year decrease of 0.81 percentage point.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital operation(Continued)

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

Service marketing: In terms of retail business, the project OASIS incubated 25 retail business mid-office capabilities and empowered seven major business scenarios, improved the ability to conduct online customer operation and strongly supported the implementation of the new “portable banking” model to provide customers with interactive and accompanying professional financial services. The Bank managed tens of millions of customers in retail private domain in a centralised and socialised manner through the WeCom platform and achieved a multiple growth of key indicators such as the average number of customers served by one account manager and the number of customers with deposits of or above RMB10,000. **In terms of corporate business,** by implementing the project “four links and one platform” (account link, data link, product link, equity link and marketing platform), Digital Pocket achieved the digital upgrading of corporate products and services and helped expanded the customer scale. “Nebula-IoT Platform” deeply integrated IoT, AI, cloud computing, blockchain and other technologies to effectively resolve the pain point of information asymmetry between banks and enterprises, build a new financing model and reshape the competitive advantage of supply chain finance, the platform has also implemented six major industry scenarios including smart vehicle connection, smart energy, smart manufacturing, smart infrastructure, smart agriculture and smart logistics. At the end of 2021, “Nebula-IoT Platform” was connected with more than 11 million IoT devices, served over 12,000 corporate customers, and supported the amount of financing incurred of over RMB300 billion throughout the year. With the help of the robot “Little PAI”, WeCom and other intelligent tools, the Bank reached customers through multiple channels, improved its intelligent service capabilities, optimised customer service experience and empowered digital operation of enterprises. In the year, the total number of visits to the robot Little PAI was 580,000, and the number of corporate customers served via WeCom exceeded 13,000. **In terms of interbank business,** the “Hang-E-Tong” BPBC (Bank-PAB-Bank-Customer) project established the TA system for Ping An Wealth Management (a wealth management product registration system) and the API interface for agency sales banks. Throughout the year, the wealth management products sold exceeded RMB300 billion. Ping An Risk Avoidance Smart Analysis Platform (CRW) continued to optimise, in which covers mainstream financial market businesses such as foreign exchange settlement and sales in RMB and foreign exchange trading, providing diversified risk avoidance strategies for corporate customers.

Risk control: The intelligent risk control platform continued to upgrade and optimise and focused on seven intelligent scenarios, namely intelligent approval, intelligent loan granting, intelligent post-loan, intelligent control, intelligent early warning, intelligent analysis and intelligent monitoring. At the end of 2021, the platform has achieved the standardised business credit approval in seconds for its 65% of business issued, with forward-looking early warning maintaining a higher level. The massive data of IoT platform enriched the dimension of risk control data and effectively played the role of credit enhancement and early warning. It has realised asset monitoring and business authentication under scenarios such as vehicle financial leasing, car-free carrier, equipment financial leasing, green energy and commodity warehousing, and separately built monitoring and evaluation models before, during and after loan granting to improve the capability of timely early warning and blocking of risk.

Operation support: The Bank optimised and upgraded its custody service, achieved online and visualised basic operation services, created a product portrait and product relation map through custody data analysing, matched the corresponding innovative value-added services, and the customised service capability for custody improved rapidly. The digital intelligent operation platform improved the intelligence and online level of the business process of the head office and branches to empower the application of front office business scenarios. At the end of 2021, AI outbound call increased the account opening rate of booked high net worth potential customers through the big data model, and the success rate of outbound call was 67%. The outlets empowered cash management with the machine learning model, and cash on hand at outlets was reduced by about 35% compared with the end of the previous year.

Management empowerment: In terms of smart finance, the Bank's smart finance platform introduced Robotic Process Automation (RPA), Optical Character Recognition (OCR) and other technologies to promote business process re-engineering, consolidate data base, drive deep integration of industry and finance, and empower comprehensive digital

operation. In 2021, the platform identified 6,128 business concerns and put forward 780 business suggestions; the weekly hits of the “Winner” APP under the platform reached 400,000, and the rate of its monthly active users was 91%. It realised data connection from the Chairman to account managers and tailored analysis scenarios and improved the business team's productivity through business opportunity pushing, business development support and other functions. In terms of smart asset-liability, the pricing management system enabled the optimization of the management process and improved the refinement of pricing management through construction of functions such as the configuration of pricing authorization parameters, automatic calculation of customer comprehensive income, online pricing approval process and post evaluation, monitoring and analysis systematization. For the capital position system, the level of automation, visualization and intelligence was upgraded, which effectively improved the forecast accuracy and approval timeliness and increased the efficiency of capital use. The digital asset-liability platform gradually integrated professional asset and liability management measurement models, business data and management tools to improve the capability and efficiency of collaboration and agile portfolio management.

In terms of smart human resources, the smart human resource system integrated human resources and some business data and realized dynamic monitoring of key indicators of human resource management and automatic identification of unusual indicators through 12 data dashboards such as human resource scale, structure, flow and productivity, containing about 1,000 data items. For management scenarios such as human resource production inspection, talent cultivation, team turnover analysis and high-performance talent retention, the system provided the basis for human resource decision-making and helped achieve long-term strategic development goals and short- and medium-term business goals.

In terms of smart administration, the smart supervision platform optimized processes such as progress reminders, milestones and approval by building functions including reports, strategic project maps and collaboration forms to achieve closed-loop management of project approval, follow-up, feedback and completion. In 2021, the supervision system managed more than 21,000 projects, and the average project completion cycle was 23 days, a year-on-year reduction of 44 days, which effectively improved the efficiency of strategic project implementation.

In terms of smart auditing, the “Smart Eye Platform” relied on system tools such as audit portrait, intelligent investigation, audit monitoring and discipline inspection to enable the transformation of audit models and formed a synergy with the internal control line of defence through model data push. In 2021, nearly 40% of problems were locked by models, which effectively contributed to the steady development of the Bank's operations.

In addition, in order to strengthen team management capabilities, the Bank explored and built a “three-merit and five-star” team and evaluated the team of account managers from three dimensions of “good performance”, “good quality” and “good behaviour”. The Bank empowered business expansion, online tracking of behaviour and systematic evaluation system through digital means and created standard, process-based and intelligent business operations to drive business development and improve management efficiency. At the end of 2021, the proportion of star-rated institutions in the Bank's retail line increased by 8 percentage points compared with that before the application, and the team structure was significantly optimized; in corporate and interbank lines, a “three-merit and five-star” team was launched to improve the quality of credit reporting, professional information sharing and other key behaviours, and the online operation for all behaviours only required three steps, which effectively improved operation efficiency.

(2) Improvements of “five leading technological capabilities”

The “five leading technological capabilities” constitute the core competence of the Bank. Among them, data and talent are the core resources of the Bank, technology and agility are the basic guarantee and means of implementation, and innovation is the driving engine which provides a steady stream of new momentum.

Technical capability: The first is building digital infrastructure. The Bank conducted intra-city disaster recovery construction for important business systems to further improve the emergency response capability, flexible expansion capability, gray-scale deployment capability and rapid recovery capability of the information system. At the end of 2021, over

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital operation(Continued)

(2) Improvements of “five leading technological capabilities”(Continued)

90% of infrastructure was made on cloud and the operation and maintenance automation rate exceeded 90%; in 2021, through optimisation measures such as automation and de-mirroring, the Bank saved RMB126 million in IT operation and maintenance costs; meanwhile, the Bank built and promoted a container cloud release platform to enable application release time to be reduced from hour level to minute level. The second is building a leading technology platform. The Bank improved the efficiency of R&D substantially through one-stop R&D collaboration and deployment of automation tools. The integrated digital development and operation and maintenance platform “Starlink” has been promoted to cover the whole Bank. In 2021, the Bank’s automated delivery capacity increased by about 140% year-on-year; in addition, at the end of 2021, by continuously optimising the effectiveness management of testing and the construction of a standardised system, the Bank achieved an automated testing coverage of over 80%.

Data capability: The first is improving the data governance system. The Bank formulated data governance plan version 3.0 and comprehensively improved data quality by improving the standardisation, labelling and granulation of the underlying data. At the end of 2021, the Bank formulated 6,638 data standards in total. The second is improving data asset management. The data asset management platform built by the Bank connected the three major user groups of business, development and governance through metadata management, forming a basic hub for data application across the Bank. At the end of 2021, by promoting management of data as assets, the Bank achieved automation in 90% of regulatory data reporting. The third is promoting the construction of data mid-office platform. The Bank strengthened the unification of external data operation and management and provided tool support for data mining in business scenarios by building data service middleware and improving data processing models. In 2021, the Bank produced 491 business views and 7,835 data labels, which provided model invocation services for the whole Bank over 200 million times a day on average. At the end of 2021, the Bank’s retail businesses have integrated and refined approximately 110 sub-item capabilities of mid-office platform to realise agile support to front office and optimisation of resource allocation and promote deep across-department collaboration.

Agility capability: The Bank established an agile team of “integration of business and technology” in all business lines. The system development model changed from a project-driven model to a product-driven and operation-driven model centred on value delivery. Meanwhile, the Bank implemented refined management of IT R&D, established an industry-leading multi-value production evaluation system and a benchmarking model that can be replicated and promoted, and effectively improved production efficiency. In 2021, the number of the Bank’s business development needs increased by nearly 50% year-on-year, and the average need delivery time decreased by about 10% year-on-year.

Talent capability: The Bank attached great importance to the cultivation of a team of high-quality scientific and technological talents. Highly educated, young and compound talents have become the backbone of the Bank’s scientific and technological team. At the end of 2021, the number of technical personnel of the Bank (including outsourced talents) exceeded 9,000. Among them, 95.9% hold bachelor’s degrees or higher degrees, and 70.7% are aged from 25 to 35. In 2021, the Bank organised “FinTech Certification Learning for All”, which covered the frontier technologies and application scenarios of fintech such as big data, blockchain, 5G and IoT, and over 90% of employees gained the certification. The Bank effectively enhanced the scientific and technological awareness and scientific and technological capabilities of all employees.

Innovation capability: Relying on the core technologies of Ping An Group, the Bank accelerated the application integration of banking scenarios with new technologies such as AI and blockchain. In terms of AI application, in 2021, the retail AI platform added more than 50 new business scenarios, of which the customer service robot scenario had 400,000 conversations per day, and the problem solving rate reached 90%. The online robot for AI face-to-face validation provided customers with 7 x 24 hours of autonomous face-to-face service to solve problems such as long queues for customers. The volume of annual outbound calls of the intelligent voice platform for credit cards was 272 million, and the number of outbound call scenarios supported increased by 58.8% year-on-year, equal to the workload of 6,000 human agents per month. It promoted the credit card instalment transaction amount to increase by 17.8% year-on-year. In terms of blockchain application, relying on the

blockchain BaaS platform, the Bank built a supply chain alliance centred on core enterprises. In 2021, the Bank supported core enterprises to issue nearly 11,500 digital assets, realised a transaction volume exceeding RMB280 billion, and provided data storage services for over 33,000 IoT devices in total.

In 2021, relying on its leading technological capabilities, the Bank made new breakthroughs in the honorary awards for technological innovation and further enhanced the brand influence of fintech. The Bank adopted advanced distributed application architecture and domestic financial-level database and built a “new core credit card A+ system” which uses industry-leading technologies and is fully self-controllable. The system has the advantages of high performance, high availability and flexible expansion. In 2021, it won the first prize of Fintech Development Award sponsored by the People’s Bank of China and the China Securities Regulatory Commission; In the selection of the above-mentioned Fintech Development Awards, the “Nebula IoT platform” won the second prize, and “smart financial platform” and “smart special asset management platform” won the third prize. The Bank accelerated the research and development of quantitative trading strategies, applied advanced computing capabilities, accurate pricing models and comprehensive risk measurement models to efficiently capture cross-market trading opportunities, control trading risks in real time, and lead the transformation of trading methods. The Bank’s Mars strategy platform won the “Top Ten Financial Market Innovation Award” in the selection of 2021 China Financial Innovation Award hosted by The Banker magazine. The project “Shenzhen Intelligent Pension Yinian Card” provided intelligent elderly care services in all fields for the elderly over 60 years old in Shenzhen and helped the elderly bridge the “digital gap”. The project won the first prize of Shenzhen Financial Innovation Award sponsored by Shenzhen Municipal Government. “Why a Bank Launches Satellites” was selected as one of the 100 works of National Excellent Science Popularisation Micro Video Contest sponsored by the Ministry of Science and Technology.

Management Discussion and Analysis

3.4 Key issues of concern in operations

3.4.1 NIM

In 2021, the Group's NIM decreased by 9 basis points to 2.79% as compared with 2020. The Bank actively reshaped asset-liability management, optimised liability structure at the liabilities end to effectively reduce liability costs. Due to the falling interest rate in the market at the assets end and the actions to continuously surrender benefits to the real economy, the return on assets decreased slightly, and the NIM was slightly narrowed.

In terms of liabilities, since the beginning of this year, the Bank actively optimised liability structure, continuously optimised liability costs. On the one hand, the Bank actively expanded the source channels of deposits, increased the proportion of demand deposits, optimised the deposit structure, implemented the reform of deposit interest rate pricing mechanism and carried on the management and control strategy for high-cost deposit products such as structured deposits to give full play to the role of deposits as "the ballast" for stable operations. On the other hand, the Bank actively seized market opportunities, actively guided the adjustment of liability duration and seized favourable market opportunities such as RRR cuts to replenish interbank funds to ensure that the liability level decline steadily. Moreover, the Bank achieved precision marketing through technology empowerment, strengthened customer account management, created connections between retail and corporate businesses and between AUM and LUM, and steadily increased the balance of core deposits through high-frequency trading.

In terms of assets, due to the loan repricing effect and changes in market interest rates, yield of assets has been declining since last year. On the one hand, the Bank adhered to the policy orientation of surrendering benefits to the real economy, deepened the achievements of interest rate marketisation reform, continuously enhanced credit loan support to key sectors such as manufacturing, green finance and inclusive loans to small and micro enterprises and provided guidance on reducing loan interest rates to reduce the financing cost for enterprises. On the other hand, the Bank actively adjusted the asset structure, increased the proportion of high-quality assets, focused on cultivating and managing high-quality customers, and increased the supply of low-risk business such as property mortgage loan to promote high-quality development of assets.

In the context of complex and varied international environment currently, the NIM is expected to remain under pressure. In terms of liabilities, there is limited space for the reduction of high-cost liabilities, the US dollar has entered the interest-rate rise cycle with rising costs, and marginal effect of liability costs optimisation has diminished. In terms of assets, the real economy continues to receive benefits, the interest rate of loans will still be in downturn and the return on assets will further be reduced. The Bank will steadily improve the level of refined management. On the one hand, leveraging the accurate customers reaching based on multiple scenarios, multiple touch points and multiple channels, the Bank enhances the deposits base, and accelerates the transformation of the liability structure, on the other hand, it will continue to increase the scale of high-quality assets, enhance its capability of serving the real economy as a financial institution, effectively gain empowerment from channels, platforms and technologies, improve the refined and differentiated product pricing capability, balance the "volume-price" relationship. Taking these approaches to ease the arrowing pressure of the NIM and maintaining the NIM at a reasonable level.

3.4.2 Cost rate of deposits

In 2021, the Bank's average cost rate of deposits from customers was 2.04%, a decrease of 19 basis points as compared with that of 2020. In 2021, the Bank continued to promote the transformation of corporate business and retail business, reshaped the structure of assets and liabilities, enhanced management to balance deposit "volume-price" relationship, and used effective management and control in assessment, pricing, products, structure and other aspects to further optimise the cost rate of deposits. First, the Bank optimised the assessment system, paid equal attention to volume and price, guided

operation units to balance the "volume-price" relationship, and focused on optimising the deposit structure and reducing the cost of deposits while maintaining the growth of deposit volume; second, the Bank enhanced forward-looking prediction, flexibly adjusted internal transfer prices and product pricing and strengthened cost reduction of key products; third, the Bank leveraged the advantage of "Finance + Technology", increased investment in transaction banking resource, strengthened customer acquisition through open banking ecosystem and expanded low-cost deposits; fourth, the Bank gave full play to Ping An Group's comprehensive finance advantages, deepened customer management and settled settlement deposits.

In 2021, the Bank's average cost rate of personal deposits was 2.30%, a decrease of 12 basis points as compared with that of 2020. The operation policy of "scale growth, structure optimisation, solid foundation and cost control" is proposed for retail business lines, focusing on equilibrium of the relationship between scale growth and reduction of the interest rate to promote improvement in both the quantity and quality of deposit business. First, the Bank deepened scenario-based, comprehensive operation, continued to strengthen the core role of AUM transaction in settling demand deposits, promoted LUM to give impetus to the growth of demand deposits, increased the rate of credit card repayment through the Bank's cards and comprehensively consolidated the basic role of payment and settlement services such as agency and bank card acceptance business to boost demand deposits growth; second, we broadened channels to increase deposits, strengthened customer acquisition through open banking ecosystem, increased the online promotion of innovative products such as scenario-based margin guarantee instruments and "Ping An Salary Manager" to expand sources of low-cost liability growth; third, paying close attention to the trend of interest rate in the market and conducting scientific research and judgement, the Bank guided the adjustment of personal deposit structure based on forward-looking adjustment of product pricing, and steadily promoted the decline in the cost rate of deposits.

In 2021, the Bank's average cost rate of corporates deposits was 1.96%, a decrease of 21 basis points as compared with that of 2020. The corporate deposit business transformation direction of "structure optimisation and cost reduction" was followed, striving to reduce deposit cost. First, grasping opportunities under the new pattern of the "14th Five-Year Plan", the Bank actively seized the "Financing + Intelligence integration" opportunities arising from new tracks such as new technology, new consumption, new medical care and new energy to expand low-cost corporate deposits; met the "Capital + Transaction + Risk Avoidance" needs of industrial digitalisation and supply chain reconstruction at home and abroad to boost low-cost deposits; practiced carbon neutrality strategy, established a green development system and upgraded the bank-government cooperation ecosystem to settle low-cost corporate deposits; seized the development opportunities arising from digital finance platforms and open banking and improved the comprehensive service capabilities of account, settlement and financing to increase demand deposits. Second, being customer-oriented, we effectively conducted customer operations, upgraded the model to expand customers and increase deposits, established and deepened various ecological scenarios and further improved payment and settlement product functions and customer experience through technology empowerment to promote the growth of low-cost deposits in multiple dimensions. Third, we continued to manage and control high-cost active liability products to optimise the deposit structure. Fourth, we upgraded the linkage mechanism between corporate retail and corporate interbank business lines, established a cross-business line joint promotion team and marketing commando to obtain demand deposits in multiple channels and jointly promote the growth of low-cost deposits.

In the future, the competition for bank deposits will be more intense, the pressure of growth scale and cost optimisation will increase. The Bank will further optimise the deposit structure, maintain a "volume-price" balance, and promote high-quality and sustainable growth of deposits. First, it will maintain the "volume-price" management strategy of deposits stable, firmly promote the growth of the core deposits and optimise the structure. Second, it will continue to expand customers scale, enhance customer groups management, consolidate customers base, and extend deposits sources. Third, it will deepen business linkage among corporate, retail and interbank capital businesses, enrich customer management scenarios, stabilise low-cost deposits. Fourth, it will strengthen pricing management and assessment guidance, continue to conduct good management and control over the high-cost deposits.

Management Discussion and Analysis

3.4 Key issues of concern in operations(Continued)

3.4.3 Asset quality

At the end of 2021, the Bank's major indicators for asset quality remained stable, and the risk compensation capability continued to improve.

Loan: In terms of overdue loans, the balance of overdue loans accounted for 1.61% of total loans, increasing by 0.19 percentage point compared with the end of last year, of which loans overdue for more than 60 days accounted for 0.87%, decreasing by 0.21 percentage point compared with the end of last year; loans overdue for more than 90 days accounted for 0.74% of total loans, decreasing by 0.14 percentage point compared with the end of last year. In terms of the classification, the ratio of special mention loans was 1.42%, increasing by 0.31 percentage point compared with the end of last year; the NPL ratio was 1.02%, decreasing by 0.16 percentage point compared with the end of last year; in terms of the deviation ratio, the deviation ratio of loans overdue for more than 60 days was 0.85, declining by 0.07 over the end of last year; the deviation ratio of loans overdue for more than 90 days was 0.73, declining by 0.02 over the end of last year. In terms of the formation ratio, the NPL formation ratio¹² was 1.25%, a year-on-year decrease of 0.61 percentage point. In addition, the Bank's provision coverage ratio was 288.42%, with an increase of 87.02 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 338.22%, up 118.44 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 397.40%, up 128.66 percentage points over the end of last year. The provision to loan ratio was 2.94%, up 0.57 percentage point compared with the end of last year. Based on regulatory requirements, the Bank adjusted the criteria of overdue and special mention recognition for credit card loans, personal residential mortgage loans and title deed-secured loans in the fourth quarter of 2021. Affected by this, the proportion of the balance of overdue loans and the proportion of special mention loans increased as compared with the end of last year. Excluding the impact of the above factors, the proportion of overdue loans and the proportion of special mention loans decreased by 0.08 and 0.02 percentage point respectively as compared with the end of last year.

Non-loan: In 2021, after basically completing work such as off-balance sheet stock wealth management non-performing assets' re-including into the balance sheet and disposal in 2020, the Bank, in line with the regulatory requirement to further reinforce asset quality and build a strong barrier against risk, continuously promoted the write-off and disposal of non-loan non-performing assets and further improved and optimised non-loan asset quality and asset structure. In 2021, the Bank's accumulated written-off non-loan non-performing assets amounted to RMB7,351 million. The overall risk is controllable.

In addition, in response to the risk of asset quality differentiated by industries and regional structure, the Bank will dynamically study and judge the risk situation and proactively take various measures to enhance our capabilities for risk prevention and control, so as to enable stability of asset quality: Firstly, we will control the incremental business and focus on supporting key industries, key regions and key customers to control asset quality from the source. Secondly, we will manage existing businesses, implement the post-loan management actions, intensify the pre-control on the recovery of loan principal and interest, strengthen the early warning management and take management and control measures on risk assets in advance; we will intensify efforts to screen out risks, timely identify potential problematic assets and get involved in such issues in advance to accelerate the risk management. Thirdly, we will strengthen the recovery and disposal of problematic assets, increase the amount for provision, and continuously leverage the advantage of centralised and specialised collection of the special asset management business unit. The Bank will also strengthen assessment supervision supported by incentive policies to promote the effects of collection and disposal. Fourthly, we will improve the level of intelligent risk control, establish a specific rating model to improve the ability to identify risks, make full use of cutting-edge technologies such as big data, AI and blockchain to constantly upgrade the intelligent risk control platform, and continuously improve the efficiency and effectiveness of risk management. In conclusion, facing the current complex situation both at home and abroad as well as the uncertainties arising from repeated outbreaks of COVID-19, the Bank will redouble its efforts in management and control of risks, further intensify the collection and disposal of non-performing assets and maintain strong risk compensation capability, aiming at defending the lifeline of asset quality.

¹²NPL formation ratio = NPL formation amount (return to write-off within the reporting period) / (loan balance at the beginning of the year + balance of traditional off-balance sheet credit such as bank undertaking, letter of credit and letter of guarantee at the beginning of the year).

3.4.4 Risk management on real estate industry

The Group attached great importance to risk prevention and quality control of credit granting in the real estate industry. In terms of customer selection, it set up a strict white list management system and focused on selecting the top customers with robust competence; in terms of region selection, it focused on selecting first-tier cities and second-tier cities with high population inflow and strong industrial support; in terms of project selection, it focused on selecting the projects with advantages in area and cost, good sales prospects and short sell-through period, and actively supported the projects that met the national policy guidance including urban renewal, rental housing and government-subsidized housing. In terms of credit granting management, it implemented strict entry management on entities and projects at the front-end, and strict monitoring controls on project construction, project sell-through rate and return of sales funds at the back-end, ensuring the overall risk of projects were controllable. At the end of 2021, the aggregate balance of credit risk-bearing businesses of the Group amounted to RMB341,089 million including actual and contingent credits and loans, proprietary bond investments, and proprietary non-standard investments, among which, the Bank's balance of real estate loans to corporates amounted to RMB288,923 million with an increase of RMB16,960 million as compared with the end of last year, accounting for 9.4% of the total principals of loans and advances to customers, down by 0.8 percentage point as compared with the end of last year; the aggregate balance of non-credit risk bearing businesses of the Group amounted to RMB120,686 million including wealth management capital contribution, entrust loans, trusts and funds management and consignment for cooperative institutions, lead underwriting of debt financing instruments. At the end of 2021, the Bank's NPL ratio of real estate loans to corporates was 0.22%, which was lower than its corporate NPL ratio of 0.49 percentage point, maintaining the same level over the end of last year, and the asset quality of real estate loans to corporates was under control.

Next, following the fundamental policy of "houses are for living, not for speculation", the Group will continue to implement the regulatory requirements, and effectively conduct a balanced and orderly allocation of real estate loans, focus on supporting the development of ordinary commercial housing, actively support the development of government-subsidized housing and rental housing, actively respond to the call of supervision, and selectively support the mergers and acquisitions of high-quality real estate projects implemented by high-quality enterprises. At the same time, adhering to the principle of "focusing on both entity and project", it will continue to strengthen the risk management and control of real estate loans, implement business entry management by the "dual-excellence" principle, insist on the same weighting of loans and management. Further, it will emphasize the "well-managed project" based on sticking to the "well-selected project", and upgrade the requirement of capital enclosed management and online tools for post-loan management to achieve holistic monitoring of customer management, project progress, assets status and capital flow.

3.4.5 Capital management and planning

At the end of 2021, the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.60%, 10.56% and 13.34% respectively, all satisfying the regulatory requirements.

The Bank continued to advance capital management reform. It continuously optimised on-and off-balance sheet asset business structure, reduced inefficient and invalid capital occupation, built a smart asset and liability platform and improved refined capital management. In addition, through active and dynamic capital management, the Bank proactively responded to changes in the macroeconomic situation, accurately took advantage of regulatory policy standards and guidance and made deployment and took countermeasures in advance to realise sustainable development of capital.

The Bank actively expanded external capital replenishment while improving the internal capabilities of capital, continuously consolidating its capital base. In November 2021, the Bank successfully issued tier 2 capital bonds totalling RMB30 billion in the national interbank bond market. The funds raised thereby would be used to replenish tier 2 capital to further increase the Bank's capital adequacy ratio, consolidate capital strength, optimise capital structure, and enhance its risk mitigation capability.

Management Discussion and Analysis

3.4 Key issues of concern in operations(Continued)

3.4.5 Capital management and planning(Continued)

To adapt to the new economic and financial situation and regulatory requirements, the Board of Directors and the general meeting of shareholders of the Bank approved the Capital Management Plan of Ping An Bank Co., Ltd. (2021-2023). In the second half of 2021, the domestic Additional Regulatory Requirements for Systemically Important Banks (Trial) was officially released, which put forward higher requirements on the capital quality and capital adequacy ratio of commercial banks. To this end, according to the group the Bank would be in among the systemically important banks in the future and on the basis of meeting the existing minimum regulatory requirements for the capital adequacy ratio of banks, the Bank has set up a reasonable capital buffer in the above plan. During the planning period, the Bank will aim to maintain adequate capital and high capital quality, ensure that the capital adequacy ratios at all levels meet the regulatory capital requirements for domestic systemically important banks and other regulatory capital requirements, enhance the ability to resist risks and continue to strengthen the overall management of capital replenishment and utilization to further improve the economic capital management system, give full play to the leading role of capital in business development and fully support the transformation and development of the Bank's intelligent retail banking.

3.4.6 Comprehensive wealth management strategy

Since the launch of retail transformation at the end of 2016, the Bank's retail business has gradually advanced from operating products to operating customers and promoted the implementation of technological empowerment, realising the leap-forward development of wealth management business in private banking. At the end of 2021, the Bank's number of wealth management customers exceeded one million, three times of that at the end of 2016; the number of private banking customers was nearly 70,000, four times of that at the end of 2016; AUM scale exceeded three trillion, four times of that at the end of 2016.

In the future, the Bank will actively seize opportunities in the wealth management market, strengthen technological empowerment and professional leadership and promote breakthroughs in the development of wealth management business in private banking to build a "warm and world-leading wealth management host bank". First, with respect to team upgrading, the Bank will reserve more talents to build a highly professional team of asset allocation experts and comprehensively improve the operational service capability of wealth management business. In addition, the Bank will actively seize the opportunities arising from the upgrading and reform of the life insurance market and rapidly promote the construction of a wealth management team of "Ping An Bankers" who are featured by "high quality, high productivity and high income" and understand insurance to open up a new track for the sustainable growth of private banking and wealth management business. Second, with respect to product upgrading, the Bank will strengthen its advantage of comprehensive finance platform, enhance asset selection and product identification capabilities, and enrich and optimise product offering. Third, with respect to mid-office upgrading, the Bank will apply technology capability throughout the whole life cycle of customer service based on the "Five-in-one" model. By improving the AI level of private banking services, the Bank will bring high-quality services to mass customer groups quickly, in batches and at low cost to accelerate the growth of basic customer groups. In addition, by creating professional and comprehensive asset allocation tools, the Bank will fully implement the concept of asset allocation service to promote the rapid growth of private banking customers and AUM scale.

3.4.7 New tracks for corporate business

The Bank closely followed the direction of national policies, seized the opportunities of emerging industries, and actively deployed new tracks.

For green enterprises, the Bank actively implemented the national strategies of carbon peak and carbon neutrality, took green finance as its industrial development, focused on high-quality and high-tech enterprises transformation, and extended to the environmental protection ecosystem in the upstream of the industrial chain to assist high-carbon emission enterprises in their energy-saving and technical transformation.

For large enterprises, the Bank relied on the direct financing opportunities arising from the rapid development of the capital market and used the combination of "complex investment and financing + digital treasury management platform" to provide large enterprises with a package of personalised comprehensive finance solutions and comprehensive and customised asset and wealth management products and platform services, it also assisted large enterprises to reduce liabilities and leverage, empowered enterprises' operation and management and thus became the invisible CFO of large enterprises.

For SMEs, the Bank focused on the policy of "guaranteeing the stability of the industrial chain and supply chain". On the one hand, it adopted the agile organizational structure to deepen the connection and integration of products and scenarios, focused on tracks such as automobiles, commodities and large-scale consumption, and applied technologies such as IoT and big data to improve risk management and resolve the lack of financing and high costs of financing facing SMEs. On the other hand, the Bank reciprocated SMEs with data and improved the informatisation and digitalisation of SMEs to enable business owners to understand the operation status of enterprises in real time and further resolve the difficulties and high costs of operation facing SMEs.

For specialised, refined, distinctive and innovative enterprises, the Bank actively responded to various national policies for the development of specialised, refined, distinctive and innovative enterprises, and based on specialised, refined, distinctive and innovative enterprises with science and technology innovation and the equity investment ecosystem behind them, built PE/VC alliance and the "digital investment banking" platform serving the needs of enterprises with science and technology innovation in their full life cycle. By creating innovative financing products such as loans for emerging industries and cooperating with the Group's professional subsidiaries, the Bank provided one-stop comprehensive finance services for specialised, refined, distinctive and innovative enterprises with science and technology innovation to meet the financing needs of specialised, refined, distinctive and innovative enterprises in their full life cycle including start-up, growth and maturity stages.

Management Discussion and Analysis

3.5 Business innovation

In 2021, the Bank continued to deepen its digital operation results, improved the agile iteration mechanism, deployed cutting-edge technologies, and strengthened the application of innovative technologies. The efficiency and effectiveness of innovation continued to improve, and the Bank consolidated its differentiated core competitiveness such as a deep-rooted innovation culture and outstanding and leading fintech. Relying on Ping An Group's strong scientific and technological capabilities, comprehensive finance advantages and innovative mechanism culture, the Bank managed to better meet the increasingly diversified financial needs of customers and fulfilled the mission of empowering the real economy as a financial institution and serving the national interest and people's livelihood.

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

To deploy new models ahead of schedule, the Bank closely followed national policies, comprehensively deployed "key and core technology", and promoted the deep integration of new technologies such as IoT, AI, big data and satellite systems into banking business. The Bank established the LAMBDA laboratory to proactively explore the potential application of cutting-edge technologies in financial scenarios, cooperated with partners to successfully develop satellite communication terminals, and jointly promoted the launch of the "Ping An No. 1" satellite and "Ceres · Ping An Bank Digital Pocket" rocket. The Bank continuously empowered new supply chain, reduced financing costs for enterprises and continued to explore the application of quantum computing and quantum communication in financial modelling, privacy and security and other fields to promote the Bank's transformation into a "digital bank, ecological bank and platform bank".

The Bank built a technology-based team to provide strong support for the whole Bank's technology-driven strategic transformation and implementation of business innovation. The Bank continued to bring in global top technology elites, formed leading talent teams in financial technology and accelerated the construction of "Finance + Technology" compound talent team. In addition, the Bank organised "FinTech Certification Learning for All", which covered the frontier technologies and application scenarios of fintech such as big data, blockchain, 5G and IoT. A total of 6 professional courses and 17 technology live broadcasts were launched throughout the year, and learning was attended a total of 1.43 million times. Over 90% of employees gained the certification. It enhanced the scientific and technological awareness and scientific and technological capabilities of all employees and strongly supported the implementation of technology-led policies.

To strengthen the application of fintech, the Bank closely focused on customer needs, explored the improvement of product functions due to technological upgrading, continuously optimised systems and service experience, developed and expanded new product matrix, and continued to upgrade capabilities of Pocket Bank, Digital Pocket, open banking, smart risk control, Hang-E-Tong and the new core system for credit cards to fully realise technological innovation, model innovation and process innovation, promote the digital operation of front, middle and back offices, and empower business development.

3.6 Risk management

3.6.1 Credit risk

Credit risk refers to the risk that borrowers or counter parties of the Bank cannot fulfil obligations according to the agreement reached in advance.

The Bank has established a centralised, vertical and independent overall risk management framework and a risk management model with "dispatch-based risk management and matrix report through two channels". The risk management committee of the head office is in charge of overall plan on risk management at all levels. The professional departments of the head office including the risk management department, company credit approval department and retail risk management department are responsible for the Bank's credit risk management. Based on the transformation guideline of "being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking", the Bank stuck to the principle of risk management of "coordination between risk and development, balance between risk and profit, adaptation between risk and capital", continued to improve the full-process management of credit risk, and effectively enhanced the level of credit risk management.

(1) Optimising the Bank's asset structure

For retail business, the Bank upgraded the "Five in One" operation model, actively built a retail risk mid-office platform, shifted from "product-centric" to "customer-centric", optimised the customer structure and established an intelligent risk management system for the entire process and products to support the continuous high-quality growth of the business. For corporate assets, the Bank focused on key industries, integrated superior resources to invest in high-quality and high-potential customers, helped customers in the upstream and downstream supply chain, industry chain or ecological circles, and continuously advocated the optimisation of the portfolio structure of credit risk assets.

(2) Enhancing the asset quality management and control mechanism

The Bank built a multi-model-driven forward-looking early warning "Third Eye" to conduct 7*24 real-time monitoring and scanning of customers and projects with an intelligent early warning system, achieved early disposal and resolution of "gray rhino" and "black swan" and improved the ability to "treat before disease attack". The Bank improved the three-dimensional monitoring "ground network" and built a solid monitoring system with close collaboration with the head office, the "industry + product" division and operation units to further implement standard risk management and control actions and consolidate the foundation for refined management after loans granting and investment.

(3) Intensifying the disposal of non-performing assets

On the one hand, the Bank took the initiative to grasp the window period of the batch transfer policy for non-performing assets and took multiple measures to collect, write off and pack to further expand the channels for non-performing asset disposal and fully improve the ability to collect and dispose of non-performing assets.

On the other hand, the Bank actively promoted the digital operation of the collection and disposal of non-performing assets, continued to iterate and upgrade the functions of the smart special asset management platform and completely disrupted the traditional collection and disposal model of non-performing assets to effectively empower the collection and disposal of non-performing assets. First, the Bank made processes online. It realised an online closed-loop of the entire collection and disposal process, effectively overcame the offline collection problems caused by the pandemic, and greatly improved the speed and efficiency of non-performing asset disposal. Second, the Bank conducted intelligent management. It created various automated operation analysis dashboards and reports and achieved comprehensive digital refined management through AI-empowered collection decisions. Third, the Bank had ecological operation. It built an ecological cloud platform that gathered many participants including "asset side, capital side, service side and management side", which empowered each other mutually, and created a special asset ecosystem that is interconnected and has ecologically win-win cooperation.

3.6 Risk management(Continued)

3.6.2 Market risk

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

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

During the reporting period, in order to address the increasing challenges in market risk management, the Bank took the following measures: First, the Bank further optimised the market risk management limit system, improved the market risk limit allocation method and added market risk limit indicators, ensuring that risks remain controllable. Second, the Bank initiated the program of the New Standard Method for Market Risk Capital Measurement, analysed in depth the Bank's market risk management status based on the latest regulatory requirements, built a clear and effective market risk capital measurement system under the new standard method and carried out corresponding internal management improvement. Third, the Bank enhanced market risk process management, went through all the risk processes before, during and after the trading, and strengthened risk measures for key risk points, established effective risk monitoring plans and improved the risk control and risk response ability. Fourth, the Bank intensified the market risk system construction, with control before the process, monitoring during the process and assessment, analysis, and reporting after the process as the objectives for risk management. Fifth, the Bank established a market risk management policy system in line with the nature, scale, complexity and risk characteristics of the Bank's business, fully reviewed the market risk system, and further optimised the market risk system to support market risk management in an all-around way.

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

3.6.3 Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds at a reasonable cost for timely repayment of debts, performance of other payment obligations and satisfaction of other financial needs for normal business. According to the Administrative Measures for Liquidity Risks of Commercial Banks issued by the China Banking and Insurance Regulatory Commission, the Bank adheres to a cautious liquidity risk management principle and a prudent management strategy, timely establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk, and ensures sufficient fund to handle the growth in assets and the payment for due debts, whether the Bank is in normal condition or under pressure.

The Bank has established a sound liquidity risk management and governance architecture. The Board assumes the ultimate responsibility of liquidity risk management. The Supervisory Committee supervises and evaluates the performance of the Board and senior management in liquidity risk management. The senior management is responsible for managing liquidity risk. The Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. The Audit and Supervision Department performs internal audit over liquidity risk management.

The Bank attaches great importance to liquidity risk management, continuously optimises the liquidity risk management framework and management strategies and has established a sound liquidity risk management system. The Bank monitors and optimises the asset and liability structure in time, enhances the management over active liability, promotes steady growth in core liability, strengthens liquidity risk index limit management, and manages the mismatched liquidity risk reasonably. Moreover, we regularly conduct liquidity risk stress tests, assess future liquidity demand on a prudent basis, maintain sufficient high-quality liquidity assets, continuously optimise the liquidity emergency management system, improve the early warning mechanism for liquidity risk, conduct emergency drills on liquidity risk and strengthen the communication and collaboration between relevant departments to effectively guard against emergency liquidity risk. We also continue strengthening the analysis of macroeconomic situation and market liquidity and improve the forward-looking and initiative liquidity management, to cope with market liquidity risk in time. As at the end of the reporting period, each of the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC.

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

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

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

3.6 Risk management(Continued)

3.6.4 Operational risk

In 2021, the Bank proactively promoted the implementation and improvement of the Bank's operational risk management system and continuously optimised and upgraded the operational risk management structure, regime and system to promote the formation of a normalised, standardised and scientific operational risk management mechanism; the Bank continued to lay solid foundation for operational risk management, strengthened the identification, assessment, monitoring, report and rectification of operational risks, conducted operational risk monitoring and report in a normalised way, and actively prevented and resolved all kinds of operational risks, to achieve effective control of operational risk losses rate and support the healthy development of business.

First, the Bank continued to optimise the basic functions of three operational risk management tools, i.e. "operational risk and control self-assessment (RCSA), key risk indicators (KRI) and losses data collection (LDC)" to improve the effectiveness and timeliness of risk prevention and control. Second, the Bank further upheld the principle of being technology-driven and data-driven, integrated risk monitoring data, improved data quality, deepened the risk-based digital operation direction, and continuously iterated the level of intelligence, the Bank also upgraded and improved risk heat map, while strengthening monitoring, early warning, analysis and reporting of operational risk. Third, the Bank upgraded the measurement method for capital with operational risk, while monitoring, analysing and reporting measurement data of economic capital regularly. Fourth, the Bank strengthened business continuity management, improved the business continuity management system and corresponding system management, further regulated the planning, implementation, summary and reporting work of business continuity, and continuously improved the overall management of business continuity of the Bank. In this way, the Bank kept elevating its overall level of business continuity management. Fifth, the Bank strengthened the operational risk training and publicity and continued to give business guidance, support and evaluation to institutions at all levels to improve the operational risk management capabilities across the Bank. During the reporting period, the operational risk identification, assessment, monitoring, early warning and rectification capacity were steadily improved.

3.6.5 Country risk

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

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

3.6.6 Bank account interest rate risk

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

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

As the interest rate marketisation accelerated, the extent of loan interest rate marketisation increased significantly, and the management of bank account interest rate risk became increasingly difficult. In response to the negative impact of interest rate fluctuations, the Bank continuously paid attention to pandemic prevention and control and the changes in economic situation, enhanced macro analysis, research and judgement, and implemented active interest rate risk management strategy. We adjusted business portfolio re-pricing term at suitable time by using pricing instrument such as internal funds transfer pricing (FTP) to effectively control bank account interest rate risk. At the same time, the Bank actively explored off-balance-sheet risk hedging instrument and promoted the application and implementation of hedging accounting. We formulated hedging strategy, verified its effectiveness on a regular basis, and mitigated bank account interest rate risk by using derivative instruments such as interest rate swap. During the reporting period, the Bank's various monitoring indicators were all performing well, and the level of bank account interest rate risk was under control on the whole.

3.6.7 Reputation risk

Reputation risk management is an important component of corporate governance and comprehensive risk management system and covers the Bank's business management, business activities, customer service, employee behaviour and other fields.

In 2021, the Bank maintained relatively stable public opinion on the whole and steadily implemented public opinion control and reputation risk management. Under the supervision and guidance of the regulatory authorities, the Bank has taken active action to coordinate throughout the Bank and excavate its synergy in upgrading the reputation risk management system and optimising the crisis response mechanism.

In 2021, in terms of reputation risk management, the Bank, in accordance with the Administrative Measures for Reputation Risks of Banking and Insurance Institutions (for Trial Implementation) issued by CBIRC, revised the Administrative Measures for Reputation Risks of Ping An Bank to improve its reputation risk management system institutionally. Guided by the four principles of being "forward-looking, matching, full-coverage, and effective", the Bank comprehensively focused on the five key sections of "strengthened early warning, upgraded monitoring, crisis response, positive guidance, and risk training", which were translated into specific tasks below: First, the Bank strengthened public opinion early warning and risk screening and improved the Bank's risk assessment mechanism included in its KPI assessment of each unit. Second,

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.7 Reputation risk(Continued)

the Bank comprehensively upgraded the public opinion monitoring mechanism. In addition to upgrading the visualised big data monitoring system, we also customised specific public opinion monitoring of various types. Third, the Bank responded and deployed on special occasions. Specifically, we formulated response plans and special monitoring mechanism against “preventing and fighting the pandemic”, “NPC & CPPCC”, “3.15 consumer rights protection day” and “Double 11 shopping festival”. Fourth, the Bank continued to deepen its development goal of transformation, comprehensively implemented the guidance of positive public opinion, and enhanced its brand image all around with “traditional media” and “new media” in a supplementary way. Fifth, the Bank conducted drills for crisis response and disposal from time to time to improve the reputation management and control ability of relevant personnel in real cases. Sixth, the Bank continued to screen potential major complaint letters and visits or class actions against the head office and branches and formulated relevant rules to establish a comprehensive early warning mechanism.

3.6.8 Strategic risk

In 2021, the Bank closely followed the national strategy, actively implemented the decisions and arrangements of the CPC Central Committee and the State Council, adhered to strategic determination, and continued to promote the Three-year Development Strategic Plan of Ping An Bank (2020-2022). The Bank deepened comprehensive digital operation, promoted optimisation of liability structure and liability costs, further supported private, small and micro enterprises and manufacturing and technology enterprises as well as personal consumption, and comprehensively strengthened financial risk prevention and control to help build a new pattern of development with domestic big circulation as main body and mutual promotion of domestic and international double circulation.

Following the established strategic goals, the Bank organically connected the three-year development strategic plan and annual operation objectives, closely integrated the development and changes of internal and external situation with the help of its keen market insight and continued to enrich and deepen strategic contents, so as to ensure that we are always on the track of strategic transformation and to actively push forward the implementation of the strategic plan across the whole Bank.

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

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

3.6.9 Information technology risk

During the reporting period, the Bank’s information system was in good working conditions, and the overall information technology risk was under control. The Bank incorporated information technology risk management into comprehensive risk management. The information technology department, the risk management department and the audit and supervision department constitute three lines of defence against information technology risk. The division of labour is clear, and each department is relatively independent, responsible for its own responsibility and interlinked. They jointly undertake the information technology risk management work.

During the reporting period, the Bank continued to increase investment in information technology, enhanced refined management, improved the professional level, and supported the business development and digital operation of the whole Bank. First, the Bank steadily promoted the construction of data centres and business continuity and enhanced the capability of information system operation and business service support and guarantee. Second, the Bank strengthened technological R&D management, optimised the production and operation management system and improved the overall capability of technology service support. Third, the Bank continuously conducted information technology risk identification, monitoring and early warning, event analysis, risk disclosure and other management work, promoted problem rectification and realised closed-loop management. Fourth, the Bank improved information security operation management and optimised the security management technology system and management tools to enhance its security defence capability. Fifth, considering regulatory requirements, the Bank carried out audit work related to information technology risk and strengthened problem rectification and tracking to promote rectification from the root and improve the quality and efficiency of rectification.

3.6.10 Other risks

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

(1) Legal risk

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

(2) Compliance risk

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

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.10 Other risks(Continued)

(2) Compliance risk(Continued)

The Bank continued to strengthen its system management, transformed regulatory requirements into internal rules and regulations in a timely and dynamical manner and continuously updated and improved the internal regulation system to ensure that all business fields and key management links are covered. Additionally, the Bank organised the preparation of annual system plan, performed system review, reviewed system applicability and reasonableness and required rectification and follow-up for problems identified in an effort to enhance system quality and further consolidate the management base for business development and internal management and control of the industry.

The Bank continued to strengthen the professionalism of legal compliance review and management to advance the quality and effectiveness of the support to business. It actively advocated such measures as optimising review process, expanding the scope of review preposition and implementing “one-to-one” support for legal compliance. Meanwhile, the key changes in regulatory policies were paid close attention to and transmitted promptly to identify compliance risk and promote operating agencies to improve their resistance against compliance risk and boost the healthy development of business.

The Bank continued to attach great importance to the management of related-party transactions, earnestly implemented laws, regulations and regulatory requirements, and established a relatively sound management system and operation mechanism for related-party transactions. It also continuously optimised the procedures and rules for the management of related parties and related-party transactions to facilitate healthy and orderly related-party transactions of the Bank.

The Bank strengthened anti-money laundering management and comprehensively improved the effectiveness of anti-money laundering. We established an internal control management system of anti-money laundering and the risk control mechanism of money laundering. We vigorously promoted the governance of basic data of anti-money laundering and strengthened risk management and control of high-risk customers and businesses. We strove to explore technology empowerment to anti-money laundering and constantly improved monitoring effectiveness of the system. We actively carried out anti-money laundering advocacy and training for internal personnel to effectively prevent risks of money laundering, terrorism financing and international sanction.

The Bank improved the construction of a long-term mechanism for case prevention and continued to carry out case risk prevention and control actions. The head office’s Compliance, Internal Control and Case Prevention and Control Committee is a leadership organisation for senior management to implement compliance, internal control, management over case prevention of the Bank, responsible for reviewing risk level of each line of services and branches as well as risk control over major fields on a regular basis. It reviewed and strengthened the case prevention measures in high-risk areas, focused on the investigation of employees’ unusual behaviours, and managed major risk; it optimised smart management system of employees’ behaviours, expanded employee portrait positions, developed monitoring models of risk behaviours, and implemented early warning data verification and accountability for non-compliance; it comprehensively refined compliance evaluation standards, strengthened compliance and internal control evaluation, and promoted operation units to strengthen their awareness of risk compliance; it carried out in-depth special cleaning up of stock cases, promoted the disposal of old cases, and improved case management and the ability to prevent and control case risk.

The Bank deepened the compliance culture with intensive cultivation and built and optimised the compliance culture system. It improved the compliance culture system and its standard actions, revised and issued the Guidelines for Compliance Culture Construction of Ping An Bank, and launched the “Year of Compliance Capacity Building” theme activity. It launched the innovative compliance culture publicity and education platform “Ping An Compliance E-site” and offered four series of columns, namely “Compliance E-learning, Compliance E-view, Compliance E-reading and Compliance E-answer” to continuously push publicity and learning tasks in different interactive forms to all employees and effectively guide all employees to improve compliance awareness and duty performance capability. We incorporated the effectiveness of the compliance culture construction into the internal control assessment of institutional compliance and firmly promoted the penetration of the compliance culture throughout the Bank. We also arranged special publicity campaigns on compliance within the Bank to create a favourable culture of compliance.

3.7 Prospects of the Bank

Forecast of operational performance from January to March 2022

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

☐ Applicable ☒ Not applicable

3.7.1 Prospects of macro environment

The year 2021 marks the centenary of the founding of the CPC and the launch of the 14th Five-Year Plan. Under the resolute leadership of the CPC Central Committee, different areas and departments coordinated to promote pandemic prevention and control and economic and social development, effectively implemented macro policies and achieved remarkable results in promoting national economic recovery. The economic development maintained a leading position in the world, and new results were achieved in high-quality development, which showed a good start for the “14th Five-Year Plan”.

In 2022, the 20th CPC National Congress will be held in China. The country will uphold Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirit of the 19th CPC National Congress and all the Plenary Sessions of the 19th Central Committee of the CPC, carry forward the great spirit of party founding, and stick to the general tone of seeking improvement in a stable way. We will implement the new development concept in a complete, accurate and comprehensive manner, accelerate the building of the new development pattern, fully deepen reform and opening up, adhere to innovation-driven development, and promote high-quality development. We will regard supply-side structural reform as the main line, coordinate pandemic prevention and control and economic and social development, and coordinate development and security, continue to guarantee “stability on the six fronts” and “security in the six areas”, and improve people’s livelihood. We will focus on stabilising the macroeconomic market, keep the economic performance in a reasonable range and maintain social stability to welcome the successful holding of the 20th CPC National Congress.

In 2022, macro policies are expected to be more stable and effective; micro policies will further stimulate the vitality of market entities; structural policies will focus more on smoothing the national economic circulation; science and technology policies will be implemented more solidly; reform and opening-up policies will further activate development momentum; regional policies will further enhance the balance and coordination of development; social policies will be more able to secure the bottom line of people’s livelihood; and the macro economy is expected to maintain stable and healthy growth.

3.7.2 Competition situation and development trend of the industry

In 2021, China saw a good start for the “14th Five-Year Plan”, and its economic development maintained a leading position in the world. Looking ahead to the year of 2022, new technological trends and forms, new business models and ecosystems will continue to emerge. The advancement of the new development pattern will generate new opportunities and challenges for the banking industry. The Bank will maintain a sensitive insight into macroeconomic development, market changes and customer demand, deepen comprehensive digital operation, strengthen financial risk prevention and control, and promote the return of financial services to their original purpose.

First, the top priority will be to continuously improve financial institutions’ ability to serve the real economy.

Commercial banks will closely follow the national strategy, research industry trends and explore customers’ needs in depth, comprehensively improve the ability to serve the real economy and support national strategy projects, actively help implement the national strategy to peak carbon dioxide emissions and achieve carbon neutrality and support rural revitalization, and continue to remove financing barriers and lower financing costs for small, micro and medium-sized

Management Discussion and Analysis

3.7 Prospects of the Bank(Continued)

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

enterprises to fully facilitate the transformation and upgrade of the real economy, support the innovation and development of technology enterprises and help improve people's living standards.

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

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

3.7.3 Operational plan

In 2022, the Bank will continue to proactively respond to national strategy, conform to international and domestic economic and financial trend, keep the mission of serving the real economy in mind and hold the bottom line of non-occurrence of systematic financial risks. Main business lines within the Bank will also develop a clearer roadmap based on the upgraded business strategy. Specifically, we will effectively carry out work in the following three aspects:

First, the Bank will continuously improve the capacity of serving the real economy. Closely following the national strategy, the Bank will actively build its five trump cards for corporate business in supply chain finance, bill integration, customer management platform, complex investment and financing and ecological comprehensive expansion, continuously strengthen the credit support for private enterprises and small and micro enterprises, innovate the serving model for small and micro enterprises, and remove financing barriers and lowering financing costs for private enterprises and small and micro enterprises. The Bank will continue to increase its support for enterprises in national strategic industries and provide all-round, all-process services with full life circle by means of "commercial bank + investment bank + investment" to help upgrade national industries. It will actively implement green finance and step up its support for advanced manufacturing and strategic emerging industries. And the Bank will continue to increase the intensity of personal consumption loan lending to upgrade national consumption and realise people's welfare.

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

Third, the Bank will continuously deepen digital operation driven by technology. Adhering to the customer-centred concept, the Bank will continue to deepen the principle of being technology-driven, utilise advanced technologies to empower business, management and risk control, deepen digital operation and online operation, build an open banking ecosystem with AI as the core, and improve management efficiency internally and customer experience externally.

3.7.4 Risk management

In 2022, the Bank will proactively respond to opportunities and challenges, holistically improve the ability of risk management, and support business development in an effective way. In 2022, the Bank's risk management mainly includes the following aspects:

Continuing to reinforce asset quality. The Bank will (1) strengthen risk review to key fields and major customers, apply categorised policies, clear out potential risky assets, and prevent the "Black Swan" and "Grey Rhino". (2) reinforce the establishment of quality management system for assets and improve internal appraisal and assessment mechanism for risk management; (3) reinforce the three layers supervision system in headquarter, business divisions and branches, enhance the implementation of standardised control actions on risk, and strengthen post-loan process management; (4) accelerate risk resolution on problematic loans, customise suitable plans for each problematic loan and assign specific person to manage the loans, to ensure the resolution is performed in an effective manner.

Giving support to stable business development. The Bank will (1) selectively serve major industries. With perspective industry study, the Bank will explore subdivided fields with development potential, identify and prejudge potential risks in the fields and formulate standards for business entry and exit and the negative list in such fields, to develop industrial risk policies based on the industrial study results in an effectively manner. (2) comprehensively serve major customers. By concentrating on industrial and regional leading companies and core enterprises in the industrial chain, the Bank will mainly support customers with high rating and give up high-risk customers. (3) formulate regional characteristics. Aiming at regional major industries, regional featured products and regional customer groups with obvious cluster characteristics, the Bank will execute diversified regional service programs. (4) enhance foresight and initiative of risk management, improve the communication mechanism between risk team and market team, as well as the mechanism for managing the risk associated with major credit projects in advance, so as to support and guide businesses. (5) dig into customer demands and exploit product advantages to build up a comprehensive financial service system.

Intensifying compliance risk management and control. The Bank will (1) advocate the establishment of risk and compliance culture and stress compliance operation to build a solid compliance culture in which employees are unwilling to, dare not to, and cannot break the rules; (2) stick to the compliance bottom line and strictly control case risks; and (3) start compliance risk monitoring in an earlier stage to strengthen the management of money laundering risk and operational risk, tighten management and control of employees' conducts, and strictly implement compliance discipline.

Strengthening system tools construction. First, the Bank will continue to iterate and upgrade the smart risk control platform, expand the coverage of the system, assist the key development directions of business and realise the precise delivery in new economic fields such as green finance, rural revitalisation and specialised, refined, distinctive and innovative enterprises. Second, it will focus on building smart post-loan system, intelligent approval and other scenarios to further improve approval efficiency, strengthen post-loan monitoring and empower the business side. Third, the Bank will strengthen risk data governance, dig deep into the value of data for risk management, establish a risk line indicator library and build a risk data map to assist operational decision analysis in the whole Bank.

Enhancing the risk team building. The Bank will continuously (1) improve a training system for different people, expand the coverage by a variety of training programs, i.e., by means of integrating on-line and off-line courses, and improve the results of the training; (2) promote the implementation of qualification management system for key positions of risk, realise the professional qualification assessment and promotion and demotion management mechanism for personnel mobility, and continuously stimulate the team's "fighting" capacity; and (3) recruit talented personnel in every business sector to optimise the talent echelon for the enhancement of the core competence of risk management lines.

4.1 Basic situation of corporate governance

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

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

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

☐ Yes ☒ No

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

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

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

4.3 Competition in the same business

☐ Applicable ☒ Not applicable

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

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

4.4.1 Conditions of Annual General Meeting during the reporting period

Session of meeting	Type of meeting	Investor participation rate	Date of meeting	Date of disclosure	Resolution of meeting
2020 Annual General Meeting	Annual General Meeting	72.5312%	8 April 2021	9 April 2021	The Annual Board of Directors Work Report, the Annual Supervisory Committee Work Report, the Annual Report and Summary, the Annual Financial Statement Report and Annual Financial Budget Report, the Annual Profit Distribution Plan, the Annual Related-party Transactions and Related-party Transaction Management System Execution Report, the Proposal for the Appointment of Accounting Firm for the year, the Plan of Returns to Shareholders for the period from 2021 to 2023, the Proposal on Electing Mr. Sun Dongdong as an Independent Director of the 11th Board of Directors, the Capital Management Plan (2021-2023) and the Proposal on Issuing Qualified Tier 2 Capital Bonds were approved
The First Extraordinary General Meeting in 2021	Extraordinary General Meeting	71.1675%	5 August 2021	6 August 2021	The Proposal on electing Ms. Zhang Xiaolu as a non-executive director of the 11th Board of Directors

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

☐ Applicable ☒ Not applicable

4.5 Directors, supervisors and senior management

4.5.1 General information

Name	Title	Service status	Gender	Age	Term
Xie Yonglin	Chairman	In-service	Male	53	From December 2016 to change of term
Hu Yuefei	Director and president of the Bank	In-service	Male	59	Director: from December 2007 to change of term President of the Bank: from December 2016 till now
Tan Sin Yin	Director	In-service	Female	44	From January 2014 to change of term
Yao Jason Bo	Director	In-service	Male	50	From June 2010 to change of term
Cai Fangfang	Director	In-service	Female	47	From January 2014 to change of term
Guo Jian	Director	In-service	Male	57	From February 2017 to change of term
Yang Zhiqun	Director and vice president of the Bank	In-service	Male	51	Director: from January 2020 to change of term Vice president of the Bank: from April 2019 till now
Guo Shibang	Director and vice president of the Bank	In-service	Male	56	Director: from December 2017 to change of term Vice president of the Bank: from April 2019 till now
Xiang Youzhi	Director, vice president of the Bank and CFO	In-service	Male	57	Director: from January 2020 to change of term Vice president of the Bank: From June 2020 till now CFO: from January 2018 till now
Guo Tianyong	Independent director	In-service	Male	53	From August 2016 to change of term
Yang Rusheng	Independent director	In-service	Male	53	From February 2017 to change of term
Yang Jun	Independent director	In-service	Male	63	From September 2020 to change of term
Ai Chunrong	Independent director	In-service	Male	59	From September 2020 to change of term
Cai Hongbin	Independent director	In-service	Male	54	From September 2020 to change of term
Qiu Wei	Chairman of the Supervisory Committee and employee supervisor	In-service	Male	59	From June 2010 to change of term
Che Guobao	Supervisor of shareholder	In-service	Male	72	From December 2010 to change of term
Wang Chunhan	External supervisor	In-service	Male	70	From September 2020 to change of term
Wang Songqi	External supervisor	In-service	Male	69	From September 2020 to change of term
Han Xiaojing	External supervisor	In-service	Male	66	From September 2020 to change of term
Sun Yongzhen	Employee supervisor	In-service	Female	53	From October 2018 to change of term
Wang Qun	Employee supervisor	In-service	Female	53	From June 2017 to change of term
Ju Weiping	Vice president of the Bank	In-service	Male	58	From June 2020 till now
Zhou Qiang	Secretary of the Board	In-service	Male	49	From June 2014 till now
Ip So Lan	Director	Left post	Female	65	From June 2010 to June 2021

Name	Shareholding at the beginning of the period (share)	Stock options	Restricted shares granted (share)	Shareholding increased in the period (share)	Shareholding decreased in the period (share)	Other increase or decrease (share)	Shareholding at the end of the period (share)	Reason for the increase or decrease of shares
Xie Yonglin	-	-	-	26,700	-	-	26,700	Increase
Hu Yuefei	4,104	-	-	100,000	-	-	104,104	Increase
Tan Sin Yin	-	-	-	-	-	-	-	
Yao Jason Bo	-	-	-	-	-	-	-	
Cai Fangfang	-	-	-	-	-	-	-	
Guo Jian	-	-	-	-	-	-	-	
Yang Zhiqun	-	-	-	50,000	-	-	50,000	Increase
Guo Shibang	-	-	-	-	-	-	-	
Xiang Youzhi	6,000	-	-	20,000	-	-	26,000	Increase
Guo Tianyong	-	-	-	-	-	-	-	
Yang Rusheng	-	-	-	-	-	-	-	
Yang Jun	-	-	-	-	-	-	-	
Ai Chunrong	-	-	-	-	-	-	-	
Cai Hongbin	-	-	-	-	-	-	-	
Qiu Wei	-	-	-	50,000	-	-	50,000	Increase
Che Guobao	-	-	-	-	-	-	-	
Wang Chunhan	-	-	-	-	-	-	-	
Wang Songqi	-	-	-	-	-	-	-	
Han Xiaojing	-	-	-	-	-	-	-	
Sun Yongzhen	-	-	-	-	-	-	-	
Wang Qun	-	-	-	-	-	-	-	
Ju Weiping	-	-	-	30,000	-	-	30,000	Increase
Zhou Qiang	-	-	-	-	-	-	-	
Ip So Lan	-	-	-	-	-	-	-	
Total	10,104	-	-	276,700	-	-	286,804	

4.5 Directors, supervisors and senior management(Continued)

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

☐ Yes ☒ No

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

Name	Role	Type	Date	Reason
Ip So Lan	Director	Left post	28 June 2021	Left post due to retirement

Note: On 8 April 2021, the Bank's 2020 Annual General Meeting elected Mr. Sun Dongdong as an independent director of the Bank. On 5 August 2021, the Bank's first Extraordinary Annual General Meeting in 2021 elected Ms. Zhang Xiaolu as a non-executive director of the Bank. The above appointments require approval of supervision and management authorities in the banking industry.

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

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

Born in September 1968, Mr. Xie holds a master's degree in science and a PhD in management from Nanjing University. He has been the Chairman and Secretary of the CPC Committee of Ping An Bank Co., Ltd. since December 2016, Deputy Secretary of the CPC Committee of Ping An Insurance (Group) Company of China, Ltd. since July 2018, Co-CEO of Ping An Insurance (Group) Company of China, Ltd. since December 2018, and General Manager of Ping An Insurance (Group) Company of China, Ltd. since December 2019. In April 2020, he took the post of Executive Director of China Ping An.

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

Mr. Hu Yuefei, Executive Director and President.

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

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

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

Ms. Tan Sin Yin, Non-executive Director.

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

Ms. Tan joined China Ping An in 2013. From December 2013 to February 2021, she was the COO of the Company. From January 2013 to November 2019, she was the Chief Information Officer of China Ping An. From June 2015 to December 2015, she was the Deputy General Manager of China Ping An. From October 2017 to November 2018, she served as the Deputy CEO of China Ping An.

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

Mr. Yao Jason Bo, Non-executive Director.

Born in 1971, Mr. Yao is a member of the Society of Actuaries (FSA), and holds a MBA degree from New York University, the U.S. Since June 2009, he has worked as the Executive Director of China Ping An, currently serving as Co-CEO, Standing Deputy General Manager and CFO of China Ping An. Since June 2010, he has been a director of Ping An Bank (then Shenzhen Development Bank).

Mr. Yao joined China Ping An in May 2001. Then he worked as the Chief Actuary of China Ping An from October 2012 to March 2021. Before that, he successively served as the Deputy General Manager of the Product Centre of China Ping An, Deputy Chief Actuary, General Manager of the Planning Department, Deputy Finance Director, Finance Principal and Deputy General Manager.

He once worked at Deloitte & Touche as a consultation actuary and senior manager.

4.5 Directors, supervisors and senior management(Continued)

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

Ms. Cai Fangfang, Non-executive Director.

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

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

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

Mr. Guo Jian, Non-executive Director.

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

Mr. Guo Jian joined China Electronics Shenzhen Company in May 1988, taking up the positions of salesperson, deputy director, assistant to the General Manager and Manager of the Business Department, Deputy General Manager, General Manager and Deputy Secretary of the CPC Committee; since July 2011, he has worked as a director of China Electronics Shenzhen Company; he also acted as a director of China Merchants Warehouse Service Co., Ltd. of Shenzhen from August 2011 to December 2019 and Chairman of CEIEC Qianhai Information Industry Co., Ltd. from February 2013 to December 2019; from August 2013 to March 2016, he was appointed as the Deputy General Manager, Temporary Deputy Secretary and Deputy Secretary of the CPC Committee of China Electronics Corporation Information Service Co., Ltd.; from October 2014 to April 2016, he was the General Manager of Division 1 under the E-commerce Business Department of China Electronics Corporation Information Service Co., Ltd.; from November 2018 to December 2020, he worked as the Chairman of Shenzhen Jingwah Electronics Co., Ltd.; and since July 2020, he has served as a full-time director in China Electronics Information Service Co., Ltd.

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

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

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

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

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

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

From July 1991 to July 1998, he successively worked as the principal staff member and deputy-director-general level researcher (directing operations) at the head office of ICBC capital planning department; from July 1998 to March 2011, he successively worked as the president of CMBC Beijing Shangdi Branch, member of CPC committee & deputy general manager of Beijing management department, secretary of the CPC Committee & president of Dalian branch, and vice chairman of retail management committee at the head office & general manager of retail banking department; from March 2011 to March 2014, he successively served as the director of financial business department for micro and small-sized enterprises of Ping An Bank (formerly named as Shenzhen Development Bank); from March 2014 to October 2016, he successively worked as the special assistant to CEO and vice general manager of Ping An Securities, CRO and chief compliance officer, etc.; from October 2016 to May 2017, he worked as the special assistant to chairman of Ping An Bank; from May 2017 to April 2019, he was the assistant to the president of Ping An Bank; he has been a director of Ping An Bank since December 2017, and the vice president of Ping An Bank since April 2019.

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

Born in 1964, he holds a PhD in management from Xiamen University, and is a senior accountant.

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

4.5 Directors, supervisors and senior management(Continued)

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

Mr. Guo Tianyong, Independent Director.

Born in August 1968, Mr. Guo, a PhD in economics, is now a professor and doctoral supervisor in the School of Finance of Central University of Finance and Economics. He has served as an independent director of Ping An Bank since August 2016.

Mr. Guo got a bachelor's degree in science from School of Mathematics of Shandong University in 1990, and worked in PBOC Yantai Branch from 1990 to 1993. He got a master's degree in economics from the Department of Finance of Renmin University of China in 1996 and a PhD in economics from the Graduate School of the PBOC in 1999. He has worked at the Central University of Finance and Economics since 1999. Currently, he is an independent director of AA Industrial Belting (Shanghai) Co., Ltd. and Ping An Healthcare and Technology Company Limited.

Mr. Yang Rusheng, Independent Director.

Born in February 1968, Mr. Yang holds a master's degree in economics from Jinan University. He is a certified public accountant and tax agent in China. Since February 2017, he has been an independent director of Ping An Bank.

Now, he serves as a partner of Jonten Certified Public Accountants, an independent director of Lufax Holding Ltd. and Guofu Life Insurance Co., Ltd., a non-executive director of IPE GROUP, Chairman and General Manager of Shenzhen Ruihua Tax Agents Co., Ltd., Chairman of Shenzhen Rongshu Technology Co., Ltd., a visiting professor at Guangdong University of Finance & Economics, a member of the council of the Chinese Institute of Certified Public Accountants and Guangdong Institute of Certified Public Accountants, and a member of Shenzhen Social Insurance Regulatory Commission.

He once worked for Shenzhen Construction Industry (Group) Co., Yong Ming (Shenzhen) Certified Public Accountants, Shenzhen Guangshen Certified Public Accountants, Shenzhen Youxin CPA firm, Wanlong Asia CPA Co., Ltd., Crowe Horwath CPA Firm and Ruihua Certified Public Accountants. He was an independent director of Webank, Shenzhen Tagen Group Co., Ltd., Shenzhen Coship Electronics Co., Ltd., Shenzhen Seg Co., Ltd. and former Ping An Bank, etc. He once worked as the Chairman of Shenzhen Institute of Certified Public Accountants.

Mr. Yang Jun, Independent Director.

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

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

Mr. Ai Chunrong, Independent Director.

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

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

Mr. Cai Hongbin, Independent Director.

Born in November 1967, Mr. Cai got a PhD in Economics from Stanford University in 1997. Now he is the Dean of HKU Business School and a Chair of Economics. Since September 2020, he has served as an independent director of Ping An Bank.

From 1997 to 2005, Mr. Cai taught at California State University, Los Angeles. From 2005 to 2017, he taught at Peking University's Guanghua School of Management and was appointed as a professor and doctoral supervisor in the Department of Applied Economics. He once worked as the head of the Department of Applied Economics, an assistant to the Dean and the Vice Dean. From December 2010 to January 2017, he was the Dean of Peking University's Guanghua School of Management.

Mr. Cai was selected as a fellow of Econometric Society in 2011. He was a Deputy to the National People's Congress of the people's Republic of China and a member of Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is now a non-executive director of China Petroleum and Chemical Corporation and CCB International (Holdings) Limited.

Mr. Qiu Wei, Chairman of the Supervisory Committee, Employee Supervisor.

Born in 1962, Mr. Qiu got a PhD in finance from Southwestern University of Finance and Economics. Now he is a senior economist. He serves as the Chairman of the Supervisory Committee, Deputy Secretary of the CPC Committee and Secretary of the Committee for Discipline Inspection of Ping An Bank.

Mr. Qiu successively worked as a loan officer, a staff member of information research unit, Deputy Director of Fund Department and Director of Foreign Exchange Department under PBOC Sichuan Luzhou Branch from July 1983 to February 1990, a fund scheduler, head of General Office at head office and Vice President of the Branch, an assistant to General Manager of HR Department at the head office of Shenzhen Development Bank from March 1990 to February 1994, Office Director, assistant to the President, Vice President, President and Secretary of the CPC Committee of China Guangfa Bank Shenzhen Branch from March 1994 to May 2004, President and Deputy Secretary of the CPC Committee of SZITIC from June 2004 to October 2005, Chairman of the Supervisory Committee, Deputy Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, and Chairman of the labour union of former Ping An Bank (Shenzhen Commercial Bank) from November 2005 to May 2010.

4.5 Directors, supervisors and senior management(Continued)

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

Mr. Che Guobao, Supervisor of Shareholder.

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

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

Mr. Wang Chunhan, External Supervisor.

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

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

Mr. Wang Songqi, External Supervisor.

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

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

Mr. Han Xiaojing, External Supervisor.

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

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

Ms. Sun Yongzhen, Employee Supervisor.

Born in 1968, she received a master's degree in economics from Zhongnan University of Economics and Law and is now a senior economist. Now, she serves as the chief audit executive and deputy secretary of committee for discipline inspection of Ping An Bank. She works as an employee supervisor of Ping An Bank since October 2018.

From July 1993 to October 1996, Ms. Sun successively served as the senior staff member, principal staff member and deputy-director-general-level researcher of capital planning department under PBOC, Shenzhen Special Economic Zone Branch; from October 1996 to February 2005, she successively served as the deputy general manager of capital planning department, deputy general manager of financial institution department and deputy general manager of financial interbank department under Shenzhen Development Bank; from March 2005 to August 2017, she successively served as a researcher of division I in the joint stock bank supervision department, researcher of policy and regulation department, head of the office of supervision, director of foreign bank supervision department, director of HR department (director of organisation department of the CPC Committee) in CBRC Shenzhen Branch; since August 2017, she has served as the chief audit executive and deputy secretary of committee for discipline inspection of Ping An Bank.

Ms. Wang Qun, Employee Supervisor.

Born in 1968, she graduated from Southern Institute of Metallurgy and majored in computer. Now, she serves as the general manager of key customer department III of Ping An Bank, Shenzhen Branch. She works as an employee supervisor of Ping An Bank since June 2017.

Ms. Wang joined Shenzhen Commercial Bank, Nanshan Branch in March 1993. She successively served as the director of business department and corporate department and assistant to the president, and has been the general manager of key customer department III of Ping An Bank, Shenzhen Branch from February 2010 to May 2020. She has been the deputy director of key customer department III of Ping An Bank, Shenzhen Branch from June 2020 to now.

4.5 Directors, supervisors and senior management(Continued)

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

Mr. Ju Weiping, Vice President.

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

From December 1980 to October 2000, Mr. Ju successively worked as loan officer, the director of business department and president of Huaiyin District Sub-branch, Jinan Branch, Shandong, Agricultural Bank of China, and the deputy general manager of the business department of Shandong Branch; from October 2000 to November 2006, he successively served as the vice president of SPDB Ji’nan Branch and the vice president of SPDB Qingdao Branch; from December 2006 to November 2007, he worked as the general manager of Ping An Annuity Insurance Company of China, Ltd., Qingdao Branch; from November 2007 to June 2010, he worked as the general manager of Ping An Annuity Insurance Company of China, Ltd., Shandong Branch; from June 2010 to December 2012, he served as the general manager of Ping An Annuity Insurance Company of China, Ltd., Beijing Branch; from December 2012 to March 2014, he worked as an assistant to the general manager of Ping An Annuity Insurance Company of China, Ltd.; from March 2014 to December 2017, he served as the deputy general manager of Ping An Annuity Insurance Company of China, Ltd.; from December 2017 to June 2018, he served as secretary of the CPC Committee of Ping An Bank Beijing Branch; from June 2018 to June 2020, he served as an assistant to the president of Ping An Bank and president of Ping An Bank Beijing Branch; since June 2020, he has served as vice president of Ping An Bank and president of Ping An Bank Beijing Branch.

Mr. Zhou Qiang, Secretary of the Board.

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

From July 2001 to April 2007, Mr. Zhou successively served as business manager of Investment Banking Division of Ping An Securities Co., Ltd., deputy general manager and general manager of investment banking management department; from April 2007 to October 2011, he served as deputy director of board office and securities affairs representative of China Ping An; from October 2011 to May 2014, he successively served as an assistant to the general manager and deputy general manager of Ping An Securities. Since June 2014, he has served as secretary of the board of Ping An Bank.

4.5.5 Directors and supervisors’ service status in shareholder units

Name	Serving shareholder unit	Title	Term
Xie Yonglin	Ping An Insurance (Group) Company of China, Ltd.	Executive director	From April 2020 till now
		General manager	From December 2019 till now
		Co-CEO	From December 2018 till now
		Deputy secretary of the CPC Committee	From July 2018 till now
Tan Sin Yin	Ping An Insurance (Group) Company of China, Ltd.	Executive director	From April 2020 till now
		Co-CEO	From December 2018 till now
		Standing deputy general manager	From January 2016 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	From June 2013 till now
Yao Jason Bo	Ping An Insurance (Group) Company of China, Ltd.	Co-CEO	From July 2020 till now
		Standing deputy general manager	From January 2016 till now
		CFO	From April 2010 till now
		Executive director	From June 2009 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	From September 2008 till now
Cai Fangfang	Ping An Insurance (Group) Company of China, Ltd.	Deputy general manager	From December 2019 till now
		CHRO	From March 2015 till now
		Executive director	From July 2014 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive Director	From December 2013 till now
Guo Jian	China Electronics Shenzhen Company	Director	From July 2011 till now
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman, legal representative, shareholder	From December 1992 till now

4.5 Directors, supervisors and senior management(Continued)

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

Name	Name of other entities	Title
Xie Yonglin	Ping An International Financial Leasing Co., Ltd.	Non-executive Director
Hu Yuefei	Ping An Wealth Management Co., Ltd.	Chairman
	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Assets Management Co., Ltd.	Non-executive Director
	Ping An Health Insurance Company of China, Ltd.	Non-executive Director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive Director
Tan Sin Yin	Shenzhen Ping An Financial Services Co., Ltd.	Non-executive Director
	OneConnect Financial Technology Co., Ltd.	Non-executive Director
	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
Yao Jason Bo	Ping An Assets Management Co., Ltd.	Non-executive Director
	Ping An Securities Co, Ltd.	Non-executive Director
	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive Director
Cai Fangfang	Ping An Assets Management Co., Ltd.	Non-executive Director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive Director
	China Electronics Corporation Information Service Co., Ltd.	Full-time Director
Guo Jian	Shenzhen Municipal Committee of CPPCC	CPPCC member
	Shenzhen Enterprise Confederation	Vice president
Yang Zhiqun	Shenzhen Supply Chain Finance Association	President
Guo Tianyong	School of Finance of Central University of Finance and Economics	Professor and doctoral supervisor
	AA Industrial Belting (Shanghai) Co., Ltd.	Independent Director
	Ping An Healthcare and Technology Company Limited	Independent non-executive director
Yang Rusheng	Jonten Certified Public Accountants	Partner
	Lufax Holding Ltd.	Independent non-executive director
	IPE GROUP LIMITED	Independent non-executive director
	Guofu Life Insurance Co., Ltd.	Independent Director
	Shenzhen Ruihua Certified Tax Agents Co., Ltd.	Chairman, general manager
	Shenzhen Rongshu Technology Co., Ltd.	Chairman
	Guangdong University of Finance & Economics	Guest professor
	Guangdong Institute of Certified Public Accountants	Director
	Chinese Institute of Certified Public Accountants	Director
	Shenzhen Social Insurance Regulatory Commission	Committee member

Name	Name of other entities	Title
Yang Jun	China Soong Ching Ling Foundation	Director
Ai Chunrong	CUHK-Shenzhen SME	Professor
Cai Hongbin	HKU Business School	President, Chair of Economics
	China Petroleum & Chemical Corporation	Independent non-executive director
	CCB International (Holdings) Limited	Independent non-executive director
Wang Chunhan	Bank of Tibet	External supervisor
	Graduate School of Chinese Academy of Social Sciences	Professor and doctoral supervisor
	Institute of Finance & Banking of Chinese Academy of Social Sciences	Researcher
Wang Songqi	Central University of Finance and Economics	Part-time doctoral supervisor
	Sixth China Society for Finance and Banking	Executive director
	Central China Securities	Consultant
	Commerce & Finance Law Offices	Partner
Han Xiaojing	Sino-Ocean Group Holding Limited	Independent non-executive director
	Far East Horizon Ltd.	Independent non-executive director
	China National Aviation Fuel Group Corporation Limited	External director
	Vital Mobile Holdings Limited	Independent non-executive director
	Angelalign Technology Company Limited	Independent Director
Ju Weiping	China Behaviour Law Association	Director
	China Enterprise Reform and Development Society	Vice president
	Zhongnan University of Economics and Law	Guest professor

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

☐ Applicable ☒ Not applicable

4.6 Compensation for directors, supervisors and senior management staff

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

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

(In RMB'0000)

Name	Title	Service status	Sex	Age	Total pre-tax compensation received from the Bank	Whether receiving compensation from related parties of the Bank
Xie Yonglin	Chairman	In-service	Male	53	-	Yes
Hu Yuefei	Director and president of the Bank	In-service	Male	59	387.95	No
Tan Sin Yin	Director	In-service	Female	44	-	Yes
Yao Jason Bo	Director	In-service	Male	50	-	Yes
Cai Fangfang	Director	In-service	Female	47	-	Yes
Guo Jian	Director	In-service	Male	57	33.62	Yes
Yang Zhiquan	Director and vice president of the Bank	In-service	Male	51	369.70	No
Guo Shibang	Director and vice president of the Bank	In-service	Male	56	399.53	No
Xiang Youzhi	Director, vice president of the Bank and CFO	In-service	Male	57	330.02	No
Guo Tianyong	Independent Director	In-service	Male	53	43.86	No
Yang Rusheng	Independent Director	In-service	Male	53	45.80	No
Yang Jun	Independent Director	In-service	Male	63	39.91	No
Ai Chunrong	Independent Director	In-service	Male	59	39.16	No
Cai Hongbin	Independent Director	In-service	Male	54	40.91	No
Qiu Wei	Chairman of the Supervisory Committee, employee supervisor	In-service	Male	59	321.43	No
Che Guobao	Supervisor of shareholder	In-service	Male	72	30.04	No
Wang Chunhan	External supervisor	In-service	Male	70	34.36	No
Wang Songqi	External supervisor	In-service	Male	69	32.92	No
Han Xiaojing	External supervisor	In-service	Male	66	31.12	No
Sun Yongzhen	Employee supervisor	In-service	Female	53	298.87	No

Name	Title	Service status	Sex	Age	Total pre-tax compensation received from the Bank	Whether receiving compensation from related parties of the Bank
Wang Qun	Employee supervisor	In-service	Female	53	272.37	No
Ju Weiping	Vice president of the Bank	In-service	Male	58	310.52	No
Zhou Qiang	Secretary of the Board	In-service	Male	49	306.45	No
Ip So Lan	Director	Left post	Female	65	-	Yes

Note:
(1) Directors Xie Yonglin, Tan Sin Yin, Yao Jason Bo, Cai Fangfang and Ip So Lan serve in and receive compensation from Ping An Insurance (Group) Company of China, Ltd., majority shareholder of the Bank. *See the 2021 Annual Report of Ping An Insurance (Group) Company of China, Ltd.* for information about their compensation. Aforesaid persons did not receive compensation from the Bank.
(2) According to the *Supervisory Guidelines on Sound Compensation in Commercial Banks* and relevant regulations of the Bank, part payment of performance compensation for the Bank’s senior management staff will be delayed. The delay period is 3 years. The total pre-tax compensation the Bank’s senior management staff received from the Bank included the performance compensation which is delayed and unpaid. And this part of performance compensation will be paid in a delayed manner by year in next 3 years.
(3) Compensations received from the Bank during the reporting period by newly appointed staff or those who left post in the current year are calculated by their work time during the reporting period.
(4) The total pre-tax compensation of executive directors, employee supervisors and senior management staff who work for the Bank is to be confirmed and others will be disclosed separately after confirmation.

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

☐ Applicable ☒ Not applicable

4.7 Remuneration management structure and decision-making procedures

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

4.8 Evaluation and incentive mechanism of senior management

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

4.9 Implementation of responsibilities of directors during the reporting period

4.9.1 Conditions of the Board of Directors during the reporting period

Session of meeting	Holding date	Disclosure date	Resolution of meeting
The 16th meeting of the 11th session of the Board of Directors	1 February 2021	2 February 2021	Deliberated and approved 2020 Annual Report, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, Internal Control Self-Evaluation Report, Authorisation to the operating management on Write-off and Disposal of Non-performing Assets, Sustainable Development Report, Work Report of the Board of Directors, Work Report of Independent Directors, Evaluation Report on the Performance of Directors, the Plan of Returns to Shareholders for the Period from 2021 to 2023, the Payment Plan of Dividends on Preference Shares, Comprehensive Risk Management Report, Risk Preference Statement, Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, Revision of the Management Measures for Related Party Transactions, Nomination on Mr. Sun Dongdong as a Candidate for Independent Director of the 11th Session of the Board of Directors
The 17th meeting of the 11th session of the Board of Directors	15 March 2021	16 March 2021	Deliberated and approved Capital Management Planning (2021-2023), Issuance of Qualified Tier 2 Capital Bonds, Proposal on holding the 2020 Annual General Meeting, Optimisation of the 2021 Annual Institutional Development Plan, Revision of the Emergency Management Measures for Major Emergencies
The 18th meeting of the 11th session of the Board of Directors	20 April 2021	21 April 2021	Deliberated and approved 2021 First Quarterly Report, 2020 Internal Capital Adequacy Assessment Report, 2020 Capital Adequacy Ratio Report and 2021 Capital Adequacy Ratio Management Plan
The 19th meeting of the 11th session of the Board of Directors	24 May 2021	25 May 2021	Deliberated and approved 2020 Annual Evaluation Report of Major Shareholders

Session of meeting	Holding date	Disclosure date	Resolution of meeting
The 21th meeting of the 11th session of the Board of Directors	19 July 2021	20 July 2021	Deliberated and approved Nomination on Ms. Zhang Xiaolu as a Candidate for Non-executive Director of the 11th Session of the Board of Directors, Proposal on Holding the First Extraordinary General Meeting in 2021
The 22th meeting of the 11th session of the Board of Directors	2 August 2021	-	Reviewed Related reports of Remuneration and Appraisal Committee
The 23th meeting of the 11th session of the Board of Directors	19 August 2021	20 August 2021	Deliberated and approved 2021 Interim Report Together with Its Summary, Adjustment of Authorisation on Write-off and Disposal of Non-performing Assets, Comprehensive Risk Management Report for the First Half of the Year
The 24th meeting of the 11th session of the Board of Directors	9 September 2021	10 September 2021	Deliberated and approved Related Party Transactions with Shenzhen Hi Tech Investment and Financing Guarantee Co., Ltd., Ping An Securities Co., Ltd., Ping An Assets Management Co., Ltd., Ping An Fund Management Co., Ltd., Ping An Life Insurance Company of China, Ltd.
The 25th meeting of the 11th session of the Board of Directors	20 October 2021	21 October 2021	Deliberated and approved 2021 Third Quarterly Report, Revision of the Management Measures for Comprehensive Risks, Management Measures for the Quality of Liabilities, 2021 Incentive Plan for Certain Senior Management staff, Management Measures for Recourse Deduction in Performance Compensation, Adjustment of the Composition of Part of the Special Committees of the 11th Board of Directors
The 26th meeting of the 11th session of the Board of Directors	23 November 2021	24 November 2021	Deliberated and approved Management Measures for Internet Loan Business Cooperation Institutions, Related Party Transactions with Ping An Securities Co., Ltd.
The 27th meeting of the 11th session of the Board of Directors	26 December 2021	28 December 2021	Deliberated and approved 2021 Annual Report on the Consumer Right Protection, Revision of the Internal Control Management System, Management Measures for Risks of Retail Internet Loans, Related Transactions with Ping An International Financial Leasing Co., Ltd., Revision of the Information Disclosure Management System, Revision of the Registration and Management System of Insider Information and Insiders, Important Strategies, Systems and Procedures for the Sale of Financing Products of Ping An Bank

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

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

Participation of directors in the board meetings and shareholders' general meetings							
Name of director	Number of participation in the board meetings during the reporting period	On-site attendance	Off-site attendance	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times	Frequency of participating in shareholders' general meetings
Xie Yonglin	12	6	6	0	0	No	1
Hu Yuefei	12	6	6	0	0	No	1
Tan Sin Yin	12	5	6	1	0	No	0
Yao Jason Bo	12	6	6	0	0	No	0
Ip So Lan	5	3	2	0	0	No	0
Cai Fangfang	12	6	6	0	0	No	0
Guo Jian	12	6	6	0	0	No	0
Yang Zhiqun	12	6	6	0	0	No	0
Guo Shibang	12	6	6	0	0	No	1
Xiang Youzhi	12	6	6	0	0	No	2
Guo Tianyong	12	6	6	0	0	No	0
Yang Rusheng	12	6	6	0	0	No	1
Yang Jun	12	5	6	1	0	No	0
Ai Chunrong	12	6	6	0	0	No	1
Cai Hongbin	12	6	6	0	0	No	0

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

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

☐ Yes ☒ No

4.9.4 Other instructions on implementation of responsibilities of the directors

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

☒ Yes ☐ No

In 2021, the directors of the Bank made a number of comments and suggestions during the meeting and adjournment, which were accepted or responded by the Bank. The independent directors of the Bank actively, effectively and independently performed duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, made independent judgements and decisions on major issues, gave objective and impartial independent opinions on a total of 25 items, thereby safeguarding the overall interests of the Bank, especially protecting the legal rights and interests of minority shareholders from being violated, and making due contributions to the corporate governance optimization and the construction, operation and management of the Board of Directors of the Bank.

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

Name of the committee	Members	Times of the meetings	Date of the meetings	Contents	Comments and suggestions	Other implementations of responsibilities	Details of objections
Strategic Development and Consumer Right Protection Committee	Xie Yonglin, Hu Yuefei, Tan Sin Yin, Yao Jason Bo, CaiFangfang, Guo Jian, Ai Chunrong	5	15 March 2021,	Deliberated and approved Capital Management Planning (2021-2023), Issuance of Qualified Tier 2 Capital Bonds, Management Measures for the Inclusive Finance, Report on the Evaluation of Consumer Protection Supervision in 2020 and the Next Key Work Plan of Consumer Protection, Regulations on the Management of Institutional Mechanism for Consumer Right Protection, 2021 Annual Report on the Consumer Right Protection, Work Plan of the Committee for 2022. Listened to and reviewed the Report on the Rectification of Complaints and Supervision Problems, Quarterly Notification on Consumer Complaints in the Banking Industry, Report on the Update of the Version of the Outline for the Implementation of Consumer Rights Protection, Conveying the Spirit of the <i>Minutes of Meeting on Supervision of Consumer Right Protection</i>	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work		
			6 July 2021, 20 October 2021, 19 November 2021, 21 December 2021				
Audit Committee	Yang Rusheng, Yao Jason Bo, Xiang Youzhi, Ai Chunrong, Cai Hongbin	6	1 February 2021,	Deliberated and approved Annual Report Together with Its Summary, Interim Report Together with Its Summary, Quarterly Report, Annual Financial Statements and Audit Report, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, Annual Internal Control Self-Evaluation Report, Annual Internal Audit Work Report and Work Plan & Budget, Authorization on Write-off and Disposal of Non-performing Assets, Revision of the Anti-money Laundering Management Measures and Internal Control Management System, Work Plan of the Committee for 2022. Listened to and reviewed Quarterly Agreed Procedure Report, Interim Review Report, Compliance Work Report, Internal Audit Report, Self Assessment Report on Data Governance, Practitioner Behavior Assessment Report	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work	None	None
			20 April 2021, 6 July 2021, 18 August 2021, 20 October 2021, 21 December 2021				
Risk Management Committee	Yao Jason Bo, Yang Zhiqun, Guo Shibang, Yang Jun, Cai Hongbin	5	29 January 2021,	Deliberated and approved Comprehensive Risk Management Report, Risk Preference Statement, Report on the Management of Interest Rate Risk in the Banking Book, Internal Capital Adequacy Assessment Report, Revision of the Management Measures for Comprehensive Risks, Revision of the Basic System of Market Risk Management, Management Measures for the Quality of Liabilities, Management Measures for Risks of Retail Internet Loans, Revision of the Operational Risk Management Policy, Revision of the Management Measures for Outsourcing Risks, Work Plan of the Committee for 2022. Listened to and reviewed the Liquidity Risk Management Report, Report on Revision of Management Measures for Reputation Risks, Information Technology Work Report, and Articles of Association of Network and Information Security Management Committee	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work		
			20 April 2021, 18 August 2021, 20 October 2021, 21 December 2021				

Name of the committee	Members	Times of the meetings	Date of the meetings	Contents	Comments and suggestions	Other implementations of responsibilities	Details of objections
Related Transaction Control Committee	Yang Jun, Guo Shibang, Yang Rusheng	7	29 January 2021,	Deliberated and approved Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, Annual List of Related Parties, Revision of the Management Measures for Related Party Transactions, Work Plan of the Committee for 2022. Related Party Transactions with Shenzhen Wanglitong Network Information Technology Co., Ltd., Ping An International Financial Leasing Co., Ltd, Ping An Property & Casualty Insurance Company of China, Ltd., Ping An Commodities Trading Co., Ltd., Guangxi Tangxi Investment Co., Ltd., Ping An Real Estate Company Ltd., Ping An Technology (Shenzhen) Co., Ltd., Shenzhen xinjingfa Investment Co., Ltd., Tongxiang Anhao Investment Management Co., Ltd., Shenzhen Hi Tech Investment and Financing Guarantee Co., Ltd., Ping An Securities Co., Ltd., Ping An Assets Management Co., Ltd., Ping An Fund Management Co., Ltd., Ping An Life Insurance Company of China, Ltd., and Shenzhen Ping An Integrated Financial Services Co., Ltd.	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work		
			13 April 2021, 6 July 2021, 9 August 2021, 6 September 2021, 19 November 2021, 21 December 2021				
Nomination Committee	Guo Tianyong, Xie Yonglin, Cai Fangfang, Yang Jun, Ai Chunrong	4	1 February 2021,	Deliberated and approved Nomination on Mr. Sun Dongdong as a Candidate for Independent Director of the 11th Session of the Board of Directors, Appointment on Mr. Sun Fangtao as the Assistant to the President, Nomination on Ms. Zhang Xiaolu as a Candidate for Non-executive Director of the 11th Session of the Board of Directors, Work Plan of the Committee for 2022	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work	None	None
			6 May 2021, 19 July 2021, 21 December 2021				
Remuneration and Appraisal Committee	Cai Hongbin, Cai Fangfang, Guo Tianyong, Yang Rusheng	4	29 January 2021,	Deliberated and approved the Compensation of Certain Senior Management Staff, the Incentive Plan for Senior Management Staff, Management Measures for Recourse Deduction in Performance Compensation, Work plan of the Committee for 2022. Listened to the Report on Advance Payment of Annual Performance Bonus for Senior Management Staff, Report on the Settlement of Annual Performance Bonus for Senior Management Staff	The Committee agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work		
			28 July 2021, 20 October 2021, 21 December 2021				

4.11 Information about the Supervisory Committee

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

☐ Yes ☒ No

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

4.11.1 Composition and working condition of the Supervisory Committee

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

The 10th Supervisory Committee set up 2 special committees: Audit and Oversight Committee and Nomination and Appraisal Committee. In 2021, the Supervisory Committee held 5 meetings of the Supervisory Committee, and 5 meetings of special committees of the Supervisory Committee (including 4 meetings of Audit and Oversight Committee, and 1 meeting of Nomination and Appraisal Committee), and expressed opinions on the Bank's financial accounting, responsibility performances of directors, supervisors and executives, as well as related reports and conclusions. The Chairman of the Supervisory Committee and members of the Supervisory Committee also attended 6 meetings of the Board of Directors throughout the year, 14 meetings of the special committees of the Board of Directors and 2 shareholders' general meeting, directly participated in most of business line meetings, compliance, internal control and case preventing meetings and risk control meetings of the Bank, effectively exercised the performance supervision of the Board of Directors and the senior management, as well as the supervision of the Bank's financial management, risk management and internal control.

4.11.2 Working situation of external supervisors

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

Participation of external supervisors in the meetings of the Supervisory Committee

Name	Number of participation in the meetings of the Supervisory Committee during the reporting period	Attendance in person	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times
Wang Chunhan	5	5	0	0	No
Wang Songqi	5	5	0	0	No
Han Xiaojing	5	5	0	0	No

4.12 Particulars about reception of researches, visits and interviews

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

Date	Location	Mode	Type of visiting party	Visiting party	Topics discussed and materials provided	Reference
2 February 2021	Shenzhen	Onsite visit	Institution(s)	Domestic and foreign investor (s)		
23 February 2021	Shenzhen	Onsite visit	Institution(s)	Domestic investor (s)		
4 March 2021	Shenzhen	Communication by call	Institution(s)	Domestic investor (s)		
18 March 2021	Hangzhou	Investment bank meeting	Institution(s)	Domestic and foreign investor (s)		
8 April 2021	Shenzhen	Shareholders' general meetings	Institution(s)	Domestic and foreign investor (s)		
21 April 2021	Shenzhen	Results release press & Open retail day	Institution(s)	Domestic and foreign investor (s)		CNINFO (http://www.cninfo.com.cn)
28 May 2021	Shenzhen	Onsite visit	Institution(s)	Domestic investor (s)		
17 June 2021	Shanghai	Investment bank meeting	Institution(s)	Domestic investor (s)	Operation and development strategy, regular reports and interim announcements and their explanations	Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.
19 July 2021	Shenzhen	Onsite visit	Institution(s)	Domestic investor (s)		
20 August 2021	Shenzhen	Results release press	Institution(s)	Domestic and foreign investor (s)		
8 September 2021	Shenzhen	Communication by call	Institution(s)	Foreign investor (s)		
15 September 2021	Shenzhen	Investment bank meeting	Institution(s)	Domestic investor (s)		
21 October 2021	Shenzhen	Corporate banking & Risk open day	Institution(s)	Domestic and foreign investor (s)		
30 November 2021	Shenzhen	Investment bank meeting	Institution(s)	Domestic investor (s)		
13-14 December 2021	Shenzhen	Overseas roadshow by call	Institution(s)	Domestic investor (s)		
29 December 2021	Shenzhen	Communication by call	Institution(s)	Foreign investor (s)		

4.13 Information about organisations and employees

4.13.1 Establishment of organisations

The Bank continued to promote the AI-enabled upgrade of its outlets and optimise its branch distribution and physical presence. At the end of 2021, the Bank had 109 branches (including Hong Kong Branch) and a total of 1,177 outlets. Information about the Bank’s organisations (including head office, branches and special-purpose organisations) is as follows:

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Head office	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	1,941,927	6,692
Shenzhen Branch	No. 1099, Shennan Middle Road, Futian District, Shenzhen	103	658,595	4,135
Shanghai Branch	No. 1333 Lujiazui Ring Road, Pudong New Area, Shanghai	71	406,545	2,142
Beijing Branch	No. 158, Fuxingmennei Street, Xicheng District, Beijing	56	322,838	2,098
Guangzhou Branch	Zhukong Commercial Building, No. 1 Huaqiang Road, Zhujiang New Town, Tianhe District, Guangzhou	51	230,939	1,632
Hangzhou Branch	Building 1, Ping An Financial Centre, No. 280 Minxin Road, Jianggan District, Hangzhou	30	124,496	1,311
Shanghai Pilot Free Trade Zone Branch	No. 799, Yanggao South Road, Pudong New Area, Shanghai	1	95,021	160
Xiamen Branch	No. 82, Lianqian Sub-district, Zhanhong Road, Siming District, Xiamen	18	80,704	447
Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	31	78,497	841
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	28	76,448	857
Ningbo Branch	No. 139, Haiyan North Road, Yinzhou District, Ningbo	14	57,439	520
Xi'an Branch	No. 240, Dongxin Street, Xincheng District, Xi'an	17	53,863	557
Changsha Branch	No. 106, Building T1, Binjiang Financial Centre Phase II, No. 112 Chazishan East Road, Guanshaling Sub-district, Yuelu District, Changsha	18	52,071	493
Dalian Branch	No. 21, Ganglong Road, Zhongshan District, Dalian	22	51,635	667
Chengdu Branch	No.99, Second Tianfu Street, Hi-tech Zone, Chengdu	26	50,875	725
Qingdao Branch	No. 28, Miaoling Road, Laoshan District, Qingdao	22	49,296	581
Foshan Branch	District Five, Foshan News Centre, Yuhe Road, Foshan New City, Foshan	30	47,704	770
Hong Kong Branch	42/F, One Exchange Square, 8 Connaught Place, Hong Kong	1	45,281	91
Zhengzhou Branch	No. 25, Business Outer Ring Road, Zhengdong New District, Zhengzhou	22	43,763	605
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	28	41,848	803
Chongqing Branch	No. 778, Jingwei Avenue, Yuzhong District, Chongqing	29	41,060	683
Huizhou Branch	No. 8, Maidi East Road, Huicheng District, Huizhou	9	36,809	268

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Shenzhen Qianhai Branch	Building 28A, Qianhai Enterprise Dream Park, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	1	36,422	38
Taiyuan Branch	No. 6, Bingzhou North Road, Yingze District, Taiyuan	9	32,314	322
Shijiazhuang Branch	No. 78, Xinhua Road, Xinhua District, Shijiazhuang	15	28,122	405
Suzhou Branch	No. 89, Suxiu Road, Suzhou Industrial Park, Suzhou	15	26,647	330
Fuzhou Branch	No. 109, Wusi Road, Gulou District, Fuzhou	37	26,638	571
Kunming Branch	No. 1101, Dianchi Road, Kunming Dianchi National Tourist Resort, Kunming	21	26,500	604
Dongguan Branch	Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan	12	24,406	408
Nanchang Branch	Ruituoronghe Building, No. 88, Shangdu Road, Honggutan New District, Nanchang	10	24,018	277
Wenzhou Branch	Podium building of Hezhong building, No. 168, Shifu Road, Nanhui street, Lucheng District, Wenzhou	24	23,546	389
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	12	23,300	335
Hefei Branch	No. 999, Dongliu Road West, Shushan District, Hefei	8	22,309	288
Jinan Branch	No. 13777, Jingshi Road, Lixia District, Ji'nan	14	22,013	484
Nanning Branch	B101-109, Jiuzhou International Building, No. 9, Zhongxin Road, Qingxiu District, Nanning	6	18,877	219
Wuxi Branch	No. 670, Zhongshan Road, Wuxi	12	18,369	239
Shenyang Branch	A1, 163, Nanjing North Street, Heping District, Shenyang	12	17,119	339
Guiyang Branch	Jincheng Street, Guanshanhu District, Guiyang	7	17,024	252
Yantai Branch	No. 96, Huanshan Road, Zhifu District, Yantai	8	13,493	117
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	10	11,543	266
Haikou Branch	No. 22, Jinlong Road, Longhua District, Haikou	11	11,098	353
Quanzhou Branch	Lianjie International Centre Building, No. 109, Binghai Street, Fengze District, Quanzhou	21	10,711	297
Changzhou Branch	No. 288, Feilong East Road, Changzhou	11	10,582	194
Yiwu Branch	No. 877, Chengbei Road, Yiwu	9	9,119	167
Shaoxing Branch	No. 711-713, Jiefang Avenue, Shaoxing	5	7,973	93
Xuzhou Branch	No. 2, Xi'an North Road, Xuzhou	2	7,575	73
Nantong Branch	No. 38, Yuelong Road, Chongchuan District, Nantong	4	7,518	120
Weifang Branch	No. 343, Dongfeng East Street, Kuiwen District, Weifang	4	7,238	84

4.13 Information about organisations and employees(Continued)

4.13.1 Establishment of organisations(Continued)

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Lanzhou Branch	No. 4286, Yantan Road, Chengguan District, Lanzhou	1	6,526	133
Sanya Branch	Humanities Shui'an, No. 62, Hedong Road, Sanya	2	6,030	37
Taizhou Branch	No. 181, Baiyunshan South Road, Taizhou Economic Development Zone, Taizhou	9	5,992	126
Dongying Branch	No. 55, Fuqian Street, Dongying District, Dongying	2	5,873	47
Tianjin Pilot Free Trade Zone Branch	Building 1, Ronghe Plaza, No. 168, Xisi Road, Tianjin Pilot Free Trade Zone (Tianjin Airport Economic Area)	1	5,194	61
Taizhou Branch	No. 39, Qingnian South Road, Hailing District, Taizhou	3	5,066	64
Guangdong Pilot Free Trade Zone Nansha Branch	No. 106, Fengze East Road, Nansha District, Guangzhou	1	5,054	24
Mianyang Branch	No. 116, Northern Section of Huoju West Street, Hi-tech Zone, Mianyang	2	4,825	39
Hengqin Branch in Guangdong Pilot Free Trade Zone	Building 7, Hengqin Financial Industry Service Base, Shizimen Central Business District, Hengqin New Area, Zhuhai	1	4,648	14
Linyi Branch	No. 10, Jinqueshan Road, Lanshan District, Linyi	4	4,605	84
Hohhot Branch	1-3/F, Block A, Ulan Fortune Plaza, No. 56, Ruyihe Street, Ruyi Development Zone, Hohhot	3	4,585	155
Tangshan Branch	No. 31, Xinhua West Street, Lubei District, Tangshan	2	4,552	81
Branch in Fuzhou Area of Fujian Free Trade Zone	No. 68-1, Jiangbin East Avenue, Mawei Town, Mawei District, Fuzhou	1	4,258	3
Langfang Branch	F4, New Word Centre Office Building, Aiming East Road, Guangyang District, Langfang	3	4,150	62
Luoyang Branch	No. 55, Binhe South Road, Luolong District, Luoyang	3	4,076	64
Yancheng Branch	Fenghuang Culture Plaza, No. 611, Century Avenue, Yancheng	2	3,772	72
Zhenjiang Branch	Building 9, Ruixiang Garden, No. 8, Hejiawan Road, Runzhou District, Zhenjiang	1	3,744	45
Harbin Branch	No. 193, Zhongshan Road, Nangang District, Harbin	1	3,733	124
Huzhou Branch	No. 72, Lianjiaxiang Road, Building 1, Shangzuo, Tianyuanyicheng, Huzhou	3	3,612	68
Zhangzhou Branch	Liyuan Plaza, Eastern Section of Nanchang Road, Xiangcheng District, Zhangzhou	6	3,273	59
Yichang Branch	Zhongxing Plaza, No. 179, Yiling Avenue, Wujiagang District, Yichang	3	3,080	50

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Jingzhou Branch	Fengtai Mansion, Beijing Road, Shashi District, Jingzhou	5	2,913	61
Urumqi Branch	1/F, Tower B, Urumqi Evening News Media Building, No. 1119, Huizhan Avenue, Shuimogou District, Urumqi	2	2,874	115
Zibo Branch	Zhongrun Comprehensive Building, No. 1, Zhongrun Avenue, High-tech District, Zibo	3	2,839	59
Baoding Branch	Office Commercial Building, Jinguan Mansion, No. 588, Chaoyang North Avenue, Jingxiu District, Baoding	1	2,749	41
Kaifeng Branch	No. 169, Jinming Avenue, Kaifeng	1	2,733	40
Jining Branch	Huiji Central Building, Junction of Guanghe Road and Gongqingtuan Road, Jining	2	2,640	52
Xiangyang Branch	No. 10, Chunyuan West Road, Xiangyang	4	2,517	58
Liuzhou Branch	No. 1-17 to No. 1-19, 1/F, Huarun Centre Mixc, No.17 Wenchang Road, Liuzhou	1	2,194	41
Nanyang Branch	Wanda International, Junction of Zhongzhou Road and Yong'an Road, Wolong District, Nanyang	2	2,136	42
Rizhao Branch	No. 89, Taian Road, Rizhao	3	2,024	35
Weihai Branch	No. 75, Qingdao North Road, Weihai, Shandong	3	1,990	40
Putian Branch	Room 101, No. 521, Meiyuan East Road, Zhenhai Sub-district, Licheng District, Putian	1	1,969	37
Hengyang Branch	Room 1104, 1/F, Hengyang Shengquotou Commercial Centre, No. 21, Jiefang Avenue, Zhengxiang District, Hengyang	2	1,938	34
Wuhu Branch	1-2/F, Podium Building, Weixing Times Financial Centre at the intersection of Beijing Middle Road and Jiuhua Middle Road, Jinghu District, Wuhu	2	1,918	43
Leshan Branch	No. 358, Southern Section of Chunhua Road, Shizhong District, Leshan	3	1,904	36
Xianyang Branch	No. 2, Dingcheng Garden, No. 11, Renmin East Road, Weicheng District, Xianyang	1	1,793	28
Yangzhou Branch	No. 447, Jiangyang Middle Road, Yangzhou	2	1,707	59
Ganzhou Branch	Building 9, Yangming International Centre, No. 18 Xinganzhou, Ganzhou, Jiangxi	1	1,662	41
Zunyi Branch	1/F, Tian'an Mansion, Xiamen Road, Huichuan District, Zunyi	1	1,648	43
Yueyang Branch	Room 109A, 1/F, Building 2, Garden Mansion, No. 9, Jin'e Middle Road, Yueyanglou District, Yueyang	3	1,604	35
Jinzhong Branch	East Region No. 1, Yujing City Garden Phase II, No. 233, Xinjian North Road, Yuci District, Jinzhong	1	1,539	31

4.13 Information about organisations and employees(Continued)

4.13.1 Establishment of organisations(Continued)

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Tai'an Branch	No. 286-1, Dongyue Street, Taishan District, Tai'an	2	1,471	41
Yinchuan Branch	1/F, Zhonghuan Building, No.619, Shanghai East Road, Xingqing District, Yinchuan	1	1,398	85
Cangzhou Branch	Tianchi International Business Office Building, South-western Corner of Junction of Shanghai Road and Jilin Avenue, Yunhe District, Cangzhou	1	1,352	44
Shantou Branch	No. 107 and No. 206-108, North Tower, Huarun Mansion, No. 95 Changping Road, Shantou	1	1,350	54
Zhanjiang Branch	Shop No. 01, 1/F, Huanlejia Mansion, Urban Highland Garden, No. 71 Middle Renmin Avenue, Zhanjiang Economic and Technological Development Zone, Zhanjiang	1	1,265	47
Fuyang Branch	1-2/F, Building S1, Yijing Education Square, No. 666, Junction of Yinghuai Avenue and Huaihe Road, Yingzhou District, Fuyang	1	1,232	39
Changde Branch	Room 103, 1/F, Dingfeng Fortune Plaza, No. 448, Longgang Road, Wuling District, Changde	1	1,063	25
Chongqing Pilot Free Trade Zone Branch	No. 1, Caifu Avenue, Yubei District, Chongqing	1	1,009	12
Deyang Branch	New Era Plaza, No. 308, First Section of Changjiang West Road, Deyang	1	913	23
Honghe Branch	No. 101 and 205, Building 3, Jin'an Pincheng, Junction of Chaoyang Road and Xuehai Road, Mengzi, Honghe Hani and Yi Autonomous Prefecture	2	737	24
Branch in Xiamen Area of Fujian Pilot Free Trade Zone	No. 99, Xiangyu Road, Huli District, Xiamen	1	439	8
Anshan Branch	27A, Shengli South Road, Tiedong District, Anshan	1	438	34
Jiangmen Branch	Room 108-112, Junjingwan Building, No. 79 Fazhan Avenue, Pengjiang District, Jiangmen	1	351	33
Qingdao Free Trade Zone Branch	No. 75, Honghe Road, Huangdao District, Qingdao	1	337	6
Jiujiang Branch	No. 239, Lushan South Road, Jiujiang	1	127	25
Handan Branch	2/F, Chuangxin Sunshine New World, No.81, Dongliu North Street, No.455, Renmin East Road, Congtai District, Handan	1	-	40
Huanggang Branch	Shop 101 and 106, building 1, Phase I, Yakun-Dijing, No. 17, Zhonghuan Road, Huangzhou District, Huanggang	1	-	21
Xinxiang Branch	Yingbin building, No. 680, Jinsui Avenue (East), Hongqi District, Xinxiang	1	-	31
Baotou Branch	1/F, 2/F and 4/F, No.4-1, Steel Street, Qingshan District, Baotou	1	-	27

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Changchun Branch	1-5/F, Building 9, No.10606, Renmin Street, Nanguan District, Changchun	1	-	80
Treasury Operation Centre	No. 1333 Lujiazui Ring Road, Pudong New Area, Shanghai	1	48,897	65
Automobile Consumption Financial Centre (sub-center inclusive)	20/F, Rongchao Mansion, No. 4036, Jintian Road, Futian Central District, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen	54	302,304	840
Credit Card Centre (sub-center inclusive)	No. 1, Liyumen Street, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	74	605,458	1,997
Total		1,177	/	40,326

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

4.13.2 Information about employees

As of the end of the reporting period, the total number of in-service employees of the Group was 40,651 (including employees on secondment). The number of retired ex-employees who shall be paid pensions was 84. The total number of in-service employees of Ping An Wealth Management, the Bank's wholly-owned subsidiary, was 325. Professional composition: 28,698 business personnel, 6,884 financial and operating personnel, 3,000 management and operation personnel and 2,069 supporting administrative and other personnel. Education distribution: 88.77% of the personnel hold bachelor's degrees or higher degrees. 99.18% of the personnel have college degrees or higher degrees.

(1) Employee compensation policy

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

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

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

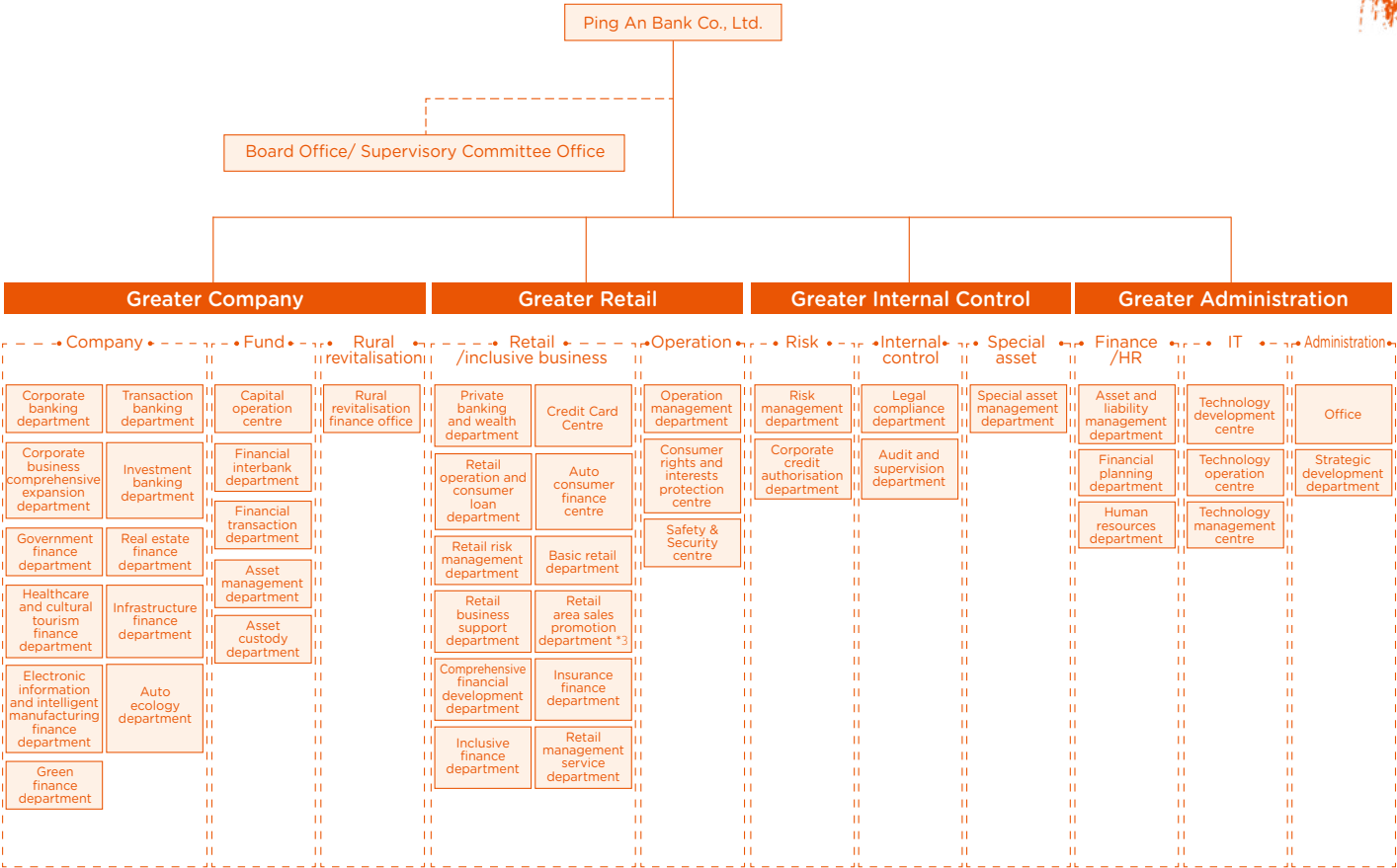
4.13 Information about organisations and employees(Continued)

4.13.2 Information about employees(Continued)

(2) Employee cultivating and development

The Bank has built an employee cultivating system based on the development paths of employees at different levels with the goal of improving organisational capabilities. The training plan focuses on strategy, combines business development and talent training needs, and covers strategic culture, business and product knowledge, general knowledge and skills, management and collaboration capabilities, and technology empowerment. The training mode adopts a diversified form combining online and offline, and the integration of learning and practice.

4.14 Department setting at the end of the reporting period



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

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

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

The 2021 profit distribution proposal is as follow:

In 2021, the audited net profit of the Bank was RMB34,721 million, and the profit available for distribution was RMB159,402 million.

According to the above profit situation and relevant national regulations, the Bank will distribute the following profits for 2021 as below:

- 1. The statutory surplus reserve balance of the Bank has exceeded 50% of the share capital, and the statutory surplus reserve will not be withdrawn for the time being.
- 2. The provision for general risk will be withdrawn based on the difference of 1.5% of the balance of risk assets at the end of the period, amounting to RMB5,549 million.

After the above profit distribution, the Bank's provision for general risk was RMB57,083 million, and the balance of undistributed profit was RMB153,853 million as of 31 December 2021.

- 3. Taking into account factors such as shareholders' returns on investment, the regulatory authorities' requirements on capital adequacy ratio and the sustainable development of the Bank's businesses, in addition to the above statutory profit distribution, the Bank proposes to distribute cash diviends of RMB2.28 (tax inclusive) for every 10 shares based on the total share capital of 19,405,918,198 shares as of 31 December 2021, with a total cash dividends of RMB4,425 million. After the cash dividend was distributed, the remaining undistributed profit of the Bank was RMB149,428 million.

The above proposal has been approved at the 2021 Annual General Meeting of Shareholders.

The profit distribution proposal of the Bank for 2020 was based on the total share capital of 19,405,918,198 of the Bank as at 31 December 2020, cash dividends of RMB1.80 (tax inclusive) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The Bank issued the *Announcement on the Implementation of 2020 Annual Interest Distribution of Ping An Bank Co., Ltd. on 7 May 2021*. The date of record of the profit distribution was 13 May 2021 and the ex-dividend date was 14 May 2021. The profit distribution proposal of the Bank for 2020 was implemented during the reporting period.

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

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

(In RMB million)

Dividend-receiving year	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Bank in the dividend-receiving year	Proportion accounting for net profit attributable to shareholders of the Bank	Amount of cash dividends in other ways	Proportion of cash dividends in other ways
2021	4,425	36,336	12.18%	Not applicable	Not applicable
2020	3,493	28,928	12.07%	Not applicable	Not applicable
2019	4,230	28,195	15.00%	Not applicable	Not applicable

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

☐ Applicable ☒ Not applicable

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

4.15.4 Pre-plan of profit distribution and capital reserve converted into share capital

✓ Applicable ☐ Not applicable

Number of bonus shares per 10 ordinary shares (share)	-
Number of dividends per 10 ordinary shares (RMB) (inclusive of tax)	2.28
Number of shares converted by capital reserve per 10 ordinary shares (share)	-
Base of share capital in distribution pre-plan (share)	19,405,918,198
Total cash dividends (RMB) (inclusive of tax)	4,424,549,349
Distributable profit (RMB)	159,400,721,790
Proportion of cash dividends to total profit distribution	100%
Conditions of the cash dividends	
If the company has developed to a mature stage and there are major capital expenditure arrangements, when distributing profits, the proportion of cash dividends to the profit distribution shall be at least 40%.	
Description of details on pre-plan of profit distribution or capital reserve converted into share capital	
2021 annual profit distribution pre-plan of Ping An Bank Co., Ltd.: based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2021, cash dividends of RMB2.28 (inclusive of tax) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The pre-plan shall be reviewed and approved by the Bank at the 2021 Annual Shareholders' General Meeting.	

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

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

4.17.1 Construction and implementation of internal control

In 2021, the Bank continued to optimise its internal control management system and improve the level of internal control management. First, the Bank revised and issued the Internal Control *Management System of Ping An Bank*. The legal compliance department of the headquarter and branches, as the functional department of internal control management of the Bank, took the lead in the overall planning of the internal control management system of the Bank, and optimised and improved the internal control management policies, frameworks, tools, processes, operation norms, etc. Second, the Bank upgraded and improved the departmental control and inspection system by applying technological means to enhance the refinement, digitalisation and intelligence of management tools. Third, the Bank regularly reviewed the implementation of internal control management of business departments. Fourth, the Bank followed up and monitored the internal control management status and strengthened the effectiveness of internal control management. Fifth, the Bank promoted the construction of internal control management culture and cultivated a favourable culture of internal control of enterprises.

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

☐ Yes ☒ No

4.18 Management control over subsidiaries

Company name	Integration plan	Integration progress	Problems encountered	Measures taken	Progress of resolution	Subsequent resolution plans
Ping An Wealth Management Co., Ltd.	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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

4.19.1 Internal control self-evaluation report

Disclosure date of internal control self-evaluation report	10 March 2022
Disclosure index of internal control self-evaluation report	CNINFO http://www.cninfo.com.cn
The proportion of total assets included in the evaluation scope in those of the company's consolidated financial statement	99.85%
The proportion of operating revenue included in the evaluation scope in that of the company's consolidated financial statement	98.44%

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

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

4.19.2 Internal control audit report

☒ Applicable ☐ Not applicable

Review comments in the internal control audit report	
We believe that Ping An Bank maintained effective internal control over all significant aspects in accordance with the <i>Basic Norms of Enterprise Internal Control</i> and the relevant regulations on 31 December 2021.	
Disclosure of internal audit report	Disclosure
Disclosure date of internal control audit report	10 March 2022
Disclosure index of internal control audit report	CNINFO http://www.cninfo.com.cn
Opinion type of internal audit report	Standard and unqualified
Whether there are significant deficiencies in the non-financial reporting	No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

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

☐ Yes ☒ No

5.1 Environmental protection related works

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

☐ Yes ☒ No

Administrative penalties for environmental problems during the reporting period

Name of companies or subsidiaries	Reason	Violation	Result	Impact on the production and operation of listed companies	Rectification measures
Not applicable	Not applicable	None	Not applicable	Not applicable	Not applicable

There is no other environmental information to be disclosed.

5.2 Social responsibilities

5.2.1 Social responsibility performance

See the 2021 Sustainable Development Report of Ping An Bank Co., Ltd. published by the Bank on the CNINFO (<http://www.cninfo.com.cn>) on 10 March 2022 for further information.

5.2.2 Information about consolidating and expanding the achievements of poverty alleviation and rural revitalisation

(1) Planning of rural revitalisation

In order to effectively link poverty alleviation and rural revitalisation, and to actively respond to the call of “common prosperity”, the Bank relied on the digital rural ecosystem, focused on high-quality areas, located target customers, and strove to expand and extend the “421” service model of rural revitalisation based on the implementation of targeted poverty alleviation, namely promoting the integration of comprehensive finance and the scenarios of agriculture, rural areas and rural residents through financing, integration of intelligent, branding and technological empowerment. The Bank strove to develop a platform for industrial revitalisation that connected government, leading agricultural enterprises, banks, insurance companies and agricultural research institutes.

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.2 Information about consolidating and expanding the achievements of poverty alleviation and rural revitalisation (Continued)

(2) Summary of rural revitalisation

In 2021, the Bank invested funds of RMB10,867 million for industrial poverty alleviation and rural revitalisation, benefiting 136,000 rural people. A total of RMB36,176 million was invested since the launch of industrial poverty alleviation and rural revitalisation projects, benefiting 950,000 impoverished and rural people.

In October 2021, the Bank held a digital rural conference on “Finance for Rural Revitalisation, Technology for Common Wealth”, at which the blue paper of *Research on the Concept and Practice of Financial Support for Poverty Alleviation and Rural Revitalisation*, the Rural Revitalisation Debit Card, ten high-quality digital cultural and tourism routes and a “Digital Village” applet were released. The Bank leveraged its professional, resource and ecological advantages, discussed the development model of digital economy with local governments, and continued to build “warm” financial services.

Improving talent cultivating mechanism and activating the concept of rural revitalisation. Continuously enhancing educational improvement cultivation, in May 2021, the Bank organised the Ping An Bank rural revitalisation entrepreneur talent training course in Shenzhen, which helped improving rural talent cultivation mechanism through the upgrading of trainee, brand, faculty, course and system. At the same time, the Bank joined hands with various parties to hold training courses to activate the concept of rural revitalisation among the bellwethers for achieving prosperity. For example, the Bank cooperated with the Committee of Agriculture and Rural Affairs of Chongqing and the Administration and Management Institute of Ministry of Agriculture and Rural Affairs to launch a training course for bellwethers in rural revitalisation and prosperity, and standardised the management of rural collective assets, funds and resources; jointly with the Administration and Management Institute of Ministry of Agriculture and Rural Affairs, the Bank held the training course for bellwethers in rural revitalisation and prosperity of county seats designated by the China Banking and Insurance Regulatory Commission (CBIRC). In addition, the Bank successfully held the inspirational project “For Beautiful Countryside Construction, I Propose Suggestions” and received a total of 455 beautiful countryside construction plans from 160 colleges and universities, encouraging young students to apply what they have learned and give full play to the strength of college students as a new force in rural revitalisation.

Innovating financial services and products and creating rural revitalisation mode. Complying with the general requirement of “five-sphere integrated plan” in the *Rural Revitalisation Strategic Plan (2018-2022)*, the Bank creatively developed multiple financial products including Rural Revitalisation Loans, Rural Revitalisation Bonds and Rural Revitalisation Cards. In April 2021, the Bank underwrote the No.6 2021 ultra-short-term financial bond of Chongqing Pharmaceutical (Group) Co., Ltd., the Bank’s first underwriting “rural revitalisation” bond, a total rising funds of RMB300 million, it was important for meeting the basic medicine’ needs of rural medical institutions, fully improving local medical institutions’ health and medical capabilities and safeguarding rural public health service level; in September 2021, the Bank and China UnionPay jointly launched the first Rural Revitalisation Debit Card among all the national joint-stock commercial banks and provided insurance or health benefits to qualified customers. At the end of 2021, the Bank had issued more than 20,000 Rural Revitalisation Cards in Liangshan County, Sichuan Province, Heyuan City, Guangdong Province, Enshi Prefecture, Hubei Province and other places to support the construction of inclusive financial service system.

Strengthening corporate-private business linkage and developing new functions of rural development. The Bank has created the “a trip to beautiful countryside starting with Ping An” rural cultural tourism project, customised and designed ten high-quality rural routes such as Ulanqab City, Inner Mongolia Autonomous Region; Cliff Village, Daliang Shan, Sichuan Province; Shibadong Village, Hunan Province and Zijin County, Heyuan City, Guangdong Province, providing customers with value-added services and charity channels through the “equity + public welfare” model. Through Ping An Digital Pocket and Pocket Mall, the Bank has created a “Rural-Assisting Mall” to serve corporate customers with good rural products, transformed the platform traffic to sales volume of rural products and provided rural-assisting products to customers through nearly 1,000 outlets, which promoted the brand of consuming rural-assisting products while providing warm services to customers. The Bank upgraded the brands of Ping An Cloud Farm, such as “Ping An Sheep of the Cliff Village”, to help

villagers increase their income continuously by means of brand empowerment and technology empowerment; at the same time, the Bank also selected high-quality brands such as “Ping An Sheep of the Cliff Village” to participate in charity auctions to help revitalise the countryside and provide customers with effective charity channels and value-added services. In 2021, the Bank increased the sales of assisting agricultural products amounting to RMB38.7669 million and accumulated the sales of assisting agricultural products amounting to RMB120 million.

Speeding up the innovation of agricultural technology and creating digital rural demonstration site. The Bank has striven to build a digital rural “five-one” service solution, namely, focusing on one industry in key areas, conducting a round of training, providing a digital pocket on-line service, configuring a financial product and implementing a set of special technology to empower the digital rural development in a closed-loop manner. In 2021, the Bank developed the first digital rural applet of financial institutions, “Digital Village”, which covers more than 10 functions, such as the rural-assisting mall, preferential wealth management, utility fee payments, smart party development and digital agriculture. The Bank continued to establish digital rural demonstration sites in Xichang, Sichuan Province, Lintao, Gansu Province, Chaozhou, Guangdong Province and Heyuan, Guangdong Province. In Xichang, the olive planting base will be used as pilot to build an intelligent IoT platform of olive tree, and realise intelligent management on olive oil production; in Lintao, 20 Chinese acres of golden chrysanthemum planting base will be used as pilot to construct intelligent agricultural environment monitoring system and product tracing system, so as to realise information transparent of intelligent agriculture chain; in Chaozhou, with the participation in the planning and construction of Chaozhou digital rural integration platform, the technology empowerment will be conducted around the tea industry in Fenghuang town; in Heyuan, the tea industry base will be built into a smart tea garden through the Nebula IoT Project, combined with technologies including satellite communications, IoT, big data, and modern production resources elements.

5.2.3 Actively practicing green finance

Thoroughly implementing the state’ strategies of neutrality and adhering to the operational orientation of promoting the real economy’ development by green finance, the Bank promoted its green finance up to a strategic level and took it as an industry for long-term development, actively supported green industrial major projects such as clean energy, energy conservation and environmental protection, clean production, ecological environment, green infrastructure upgrading and green services to continuously push forward the development of green financial businesses and create green financial brands. At the end of 2021, the balance of domestic green financial businesses of the Bank and Ping An Wealth Management Co., Ltd amounted to RMB113,727million, representing a year-on-year increase of 199.6%; the Bank’s green credit balance was RMB69,135 million, up 204.6% from the end of 2020.

Strengthening top-level design and establishing green finance service system. In the first half of 2021, the Bank has established the green finance office and set up a primary management department of green finance to formulate three-year work plan of green finance, and to conduct overall operational planning and business promotion of its green finance, provided a series of resources support including credit policies, special quotas and incentive subsidies, applied flexibly the support tools from the Central Bank targeted to carbon emission reduction. The Bank has also conducted the “Seven Steps into Poetry · Green into Gold” green finance service activities, and established the designated positions at branches for green finance work, to establish a comprehensive green finance service system.

Optimising risk policy and expanding a new track of green finance. On the basis of improving the long-term mechanism of green finance, the Bank focused on the segment tracks of the green industry, rearranged the green financial business opportunities with “productivity”, reasonably and effectively allocated credit resources and conducted all-round comprehensive finance services. On the one hand, through continuous optimisation of the industry risk policy and the “energy conservation and carbon reduction”-oriented environmental protection policy, the Bank has set up differentiated access standards for customer groups in industries that meet the green finance standards, these standards have fully reflected the latest regulatory guidance, social responsibilities and compliance risk management requirements; for clean energy areas, the Bank has added refined industries such as lithium battery, lithium-ion equipment, photovoltaic modules and energy storage

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.3 Actively practicing green finance (Continued)

to achieve full coverage of risk policies or business models; for high carbon emission reduction areas such as thermal power, iron and steel, and coal, the Bank encouraged and supported their green transformation projects through policy guidance. On the other hand, under the overall planning framework at the national strategic level, the Bank actively researched innovative green financial products and business models for fields with development space, clarified applicable industries, transaction structures and risk control elements to provide business guidelines for the development of green finance.

Improving product services and setting innovative sample of green finance. Through innovative green financial products and giving play to its advantages of comprehensive finance, technology and ecology, the Bank expanded financing channels of enterprise low-carbon transformation, created three business models of “commercial bank + transaction banking”, “commercial bank + investment bank” and “commercial bank + investment bank + complex investment and financing”, comprehensively made use of financial products including supply chain finance, bill integration, bonds, targeted Real Estate Investment Trust asset-backed bills (targeted REITs), M&A loans, syndicated loans to serve the whole industrial chain of the green industry, and provided comprehensive financial solutions for large central government-owned enterprises, state-owned enterprises and private leading listed companies during the construction of renewable energy in the fields of wind power, photovoltaic, hydropower, nuclear power, rail transportation, water treatment, park renovation, resource recycling and ecological governance, etc., creating a number of benchmark cases of green finance promoting the development of the real economy. It also underwrote the first carbon neutrality bond to help hydropower enterprises in the construction and operation of renewable energy facilities; it also landed the first green-targeted REITs in the whole market to help power enterprises in the green transition towards high-quality development.

In 2021, the Bank has made an outstanding contribution to green finance in helping the low-carbon transition of the real economy, and was awarded the Green Finance Pioneer Enterprise Award at “The Fourth Session of China Corporate Social Responsibility Forum” hosted by *International Financial News*; the Breakthrough Award of “Carbon Neutrality Actors” in response to climate change at the “2021 Zero-Carbon Mission International Climate Summit” presented on Phoenix Satellite Television; and the 2021 “Green Carbon Pioneer” Annual Best Contribution Bank Award at the “2021 Banking Green Finance Forum” hosted by Cai Lian She.

5.2.4 Serving the real economy

The Bank firmly fulfilled its responsibility of financial services to the real economy, actively supported high-quality development of private enterprises and micro, small and medium-sized enterprises, and continuously increased the support for manufacturing industry through financial innovation and technology empowerment to constantly improve financial services’ quality and efficiency.

Continuously improving the level of inclusive financial services and strengthening the capacity of digital inclusive services.

The Bank relied on cutting-edge technologies such as AI, biological recognition, big data, blockchain and cloud computing in launching “Xinweidai” products and continuously optimising the premium services, including “Zhidaixing” and “Xinyidai”. The Bank continuously made innovation in respect of its business model and smart services, launched digital loan intelligent manufacturing products in the field of intelligent manufacturing to help the operation of micro and small-sized manufacturing enterprises. Through continuous product optimisation and innovation and the use of various digital technology capabilities, the Bank has effectively supported the development of private enterprises and micro, small and medium-sized enterprises and helped them address their financing difficulties, including lack of access to financial resources and high financing costs. In 2021, the Bank completed the issuance of special financial bonds for loans to micro and small-sized enterprises with a total amount of RMB20 billion. The funds raised will be earmarked for special loans to micro and small-sized enterprises. The Bank enhanced credit loan support to micro and small-sized enterprises to promote their steady development. Meanwhile, seriously carrying out this year’s requirements from the four ministries, the Bank actively responded to the two proposes

of “fee reduction and profit concession”, helped market entities including micro and small-sized enterprises reducing their pressure, and firmly fulfilled the responsibility of financial service serving the real economy and customer-centric principal to effectively implement the policy of fee reduction and continuously improve the level of inclusive financial services.

In 2021, newly issued loans for private enterprise customers accounted for more than 70% of newly issued corporate loans for all customers. At the end of 2021, the balance of loans to private enterprises increased by 20.3% over the end of last year, accounting for 72.7% of the balance of corporate loans. In 2021, the Bank’s loans to micro and small-sized enterprises with single account credit of RMB10 million and below excluding bills financing (“inclusive loans to micro and small-sized enterprises”) was RMB356,844 million, representing a year-on-year increase of 25.9%, and the weighted average interest rate of newly issued inclusive loans declined as compared with last year, which can better support the development of the real economy and small and micro enterprises. At the end of 2021, the total customers of the inclusive loans to micro and small-sized enterprises were 842,600, the balance of loans was RMB382,159 million, which increased by 35.7% as compared with last year, the NPL ratio was within a reasonable range. At the end of 2021, the Bank’s total on-balance sheet and off-balance sheet credit facilities amounted to RMB4,678,986 million, with an increase of 15.3% over the end of last year.

Continuing to promote finance innovation and technology empowerment to achieve breakthroughs in the service model of manufacturing enterprises. First, the Bank looked deep into the industrial chain of manufacturing, explored the financial needs of ecological customer group scenarios, met the scenario-based, diversified and customised supply chain financial needs of customers by continuously innovating and upgrading financing products and models, and effectively helped resolve the lack of financing and high costs of financing facing micro, small and medium-sized customers. Second, the Bank deeply implemented integrated management for bills, through the new business model of “bills + open banking” and combined with core enterprise collection platform, B2B platform and other channels, the Bank enhanced its ability to reach and serve customer groups in strategy and micro, small and medium-sized customers, and provided online and low-cost bill discounting financing services for manufacturing enterprises, fuelling their high-quality development. Third, the Bank created the customer management platform, made digital pocket as its operational portal for bulk customer acquisition and served micro, small and medium-sized customer groups through diversified operation in designated regions and completed customer benefits system, the Bank openly exploited, in modularised and standardised manner, its financial and technology capabilities and embedded such capabilities in scenarios, to establish an all-round and integrated customer management platform through ecological management on micro, small and medium-sized customer groups and strategic customer groups. At the end of 2021, the growth of the balance of medium and long-term loans to manufacturing of the Bank increased by 29.2%. It was 14.30 percentage points higher than the increase of the total amount of loans issued and principal advanced.

5.2.5 Protection of consumer rights and interests

The Bank has further improved the quality and efficiency of consumer rights and interests protection (“consumer protection”), kept in mind the customer-centered concept and effectively practiced corporate social responsibilities.

Building a solid consumer protection institutional mechanism The Bank has formulated or revised a number of consumer protection management systems, covering institutional mechanism, review, assessment, publicity and awareness-raising activities and complaint management, etc., continuously improved the consumer protection system and further consolidated the consumer protection management results.

Tightening the ties between consumer protection and business The Bank strictly implemented prior review, improved the management of consumer protection information disclosure, conducted all-around consumer protection training and intensified the assessment, and carried out consumer protection supervision, inspection and governance in key areas, further tightened the ties between consumer protection and business, and effectively improved the quality and efficiency of consumer protection process control.

Improving the quality and efficiency of publicity and awareness-raising activities regarding consumer protection The Bank

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.5 Protection of consumer rights and interests (Continued)

continued to focus on “improvement of financial consumer literacy”, conducted normalised publicity and awareness-raising work, centralised publicity and awareness-raising activities and innovative publicity and awareness-raising activities of its own. The Bank also launched financial knowledge popularisation activity namely “3.15 Ping An Knowledge Intellectual” and financial public welfare activities such as “Ping An Guardian Program”, “Financial Anti-fraud Course for Seniors” and “Ping An Companion -- Volunteer Story-telling Session”. With various forms of awareness-raising activities regarding consumer protection and continuous expansion of coverage and influence, all received good praises from supervisory units and customers.

Enriching the means of technology empowerment The Bank continuously upgraded several projects such as the one-stop intelligent control system for consumer rights and interests protection, intelligent complaint warning system, consumer protection quality inspection mid-office and SMS and phone anti-counterfeiting inspection platform, and created “timeline” of contacting with customers’ complaints, explored and researched intelligent complaint judgment, carried out research and analysis of complaint data modeling to empower consumer protection with technology, and effectively protected the legitimate rights and interests of financial consumers.

Optimising customer complaint management In order to better serve customers, the Bank has adhered to its customer-centric orientation, publicised the information of complaint acceptance ways in its business outlets, official website, Pocket Bank App and other channels by making continuous improvement of its complaint management system. The Bank has also continued to listen to customers extensively and collect customer problems proactively and comprehensively, took them as an important driving force for the Bank’s business improvement. In 2021, the Bank accepted and collected 215,440 customer complaints (including 13,694 complaints transferred from supervision) with an incidence of the complaints rate of 0.18%. The details are as follows:

In terms of the business category, it mainly includes: credit card business accounted for 41.7%, loan business accounted for 21.6% and debit card business accounted for 14.8%.

In terms of the regional distribution, the details are shown in the table below.

Region	Number of complaints	Region	Number of complaints	Region	Number of complaints
Beijing	2,886	Fujian	1,483	Yunnan	653
Tianjin	845	Jiangxi	329	Tibet	0
Heibei	1,242	Shandong	1,648	Shaanxi	855
Shanxi	751	Henan	1,429	Gansu	71
Inner Mongolia	157	Hubei	1,698	Qinghai	0
Liaoning	790	Hunan	859	Ningxia	0
Jilin	0	Guangdong	4,362	Xinjiang	99
Heilongjiang	198	Guangxi	221	Dalian	744
Shanghai	2,563	Hainan	461	Ningbo	329
Jiangsu	2,222	Chongqing	953	Xiamen	470
Zhejiang	1,489	Sichuan	1,076	Qingdao	731
Anhui	435	Guizhou	404	Shenzhen	5,567

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

At the same time, the Bank has actively and appropriately handled customer problems, suggestions and complaints, continuously strengthened the construction of diversified financial dispute resolving mechanisms to enhance the efficiency of dispute resolution; focused on learning by analogy and retrospective rectification, proactively improved service operation capability so as to improve customer experience and enhance customer satisfaction.

In the future, the Bank’s customer protection work will strengthen the responsibility, implement the consumer protection culture, improve the institutional mechanism, upgrade the consumer protection brand, and promote its consumer protection work to a new level, so as to bring the senses of gain, safety, and happiness to financial consumers, and contribute to the maintenance of financial stability and the prevention and resolution of financial risks.

6.1 Commitments

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

☒ Applicable ☐ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

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

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

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

☐ Applicable ☒ Not applicable

Significant Matters

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

6.8 Employment and dismissal of accounting firms

Currently appointed accounting firm

Name of domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of domestic accounting firm	RMB8.30 million
Duration of audit service provided by domestic accounting firm	1 year
Names of CPAs of domestic accounting firm	Chang Hua, Wang Yangyan
Duration of audit service provided by CPAs of domestic accounting firm	1 year
Name of foreign accounting firm (if any)	Not applicable
Remuneration of foreign accounting firm (if any)	Not applicable
Duration of audit service provided by foreign accounting firm (if any)	Not applicable
Name of CPAs of foreign accounting firm (if any)	Not applicable
Duration of audit service provided by CPAs of foreign accounting firm	Not applicable

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

☒ Yes ☐ No

Whether the employment of the accounting firm has been changed during the auditing period

☐ Yes ☒ No

Whether the change of the accounting firm has gone through the approval procedures

☒ Yes ☐ No

On 8 April 2021, the Resolution of Ping An Bank Co., Ltd. in relation to the Appointment of Auditor for the Year of 2021 was passed upon the deliberation at the 2020 Annual General Meeting of the Bank. PricewaterhouseCoopers Zhong Tian LLP has delivered the audit services for the Bank for eight consecutive years. According to the *Measures for the Administration of Selection and Employment of Accounting Firms by State-owned Financial Enterprises* (Cai Jin [2020] No.6) issued by the Ministry of Finance, the state-owned financial enterprises shall not continuously employ the same accounting firm for more than 8 years. The Bank appointed Ernst & Young Hua Ming LLP as its auditor for the year of 2021.

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

Name of accounting firm for internal control audit	Ernst & Young Hua Ming LLP
Remuneration of accounting firm for internal control audit	RMB1.50 million
Name of financial consultant	Not applicable
Remuneration of financial consultant	Not applicable
Name of sponsor	Not applicable
Remuneration of sponsor	Not applicable

6.9 Delisting after the disclosure of annual report

☐ Applicable ☒ Not applicable

6.10 Relevant matter of bankruptcy reorganisation

☐ Applicable ☒ Not applicable

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

6.11 Major litigation and arbitration matters

In 2021, there was no litigation and arbitration matter that had significant impact on the operation for the Bank. At the end of 2021, there were 236 pending litigations in which the Bank acted as the prosecuted party, involving an amount of RMB805 million.

6.12 Punishment and rectification

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

6.13 Integrity conditions of the company and its controlling shareholder

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

6.14 Matters on major related party transactions

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

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

During the reporting period, the Board of the Bank deliberated the proposal on related transactions with Ping An Life Insurance Company of China, Ltd., Ping An Property & Casualty Insurance Company of China, Ltd., Ping An Securities Co., Ltd., Ping An Assets Management Co., Ltd., Ping An Fund Management Co., Ltd., Ping An International Financial Leasing Co., Ltd. and Shenzhen Hi Tech Investment and Financing Guarantee Co., Ltd.

Please refer to the *Notice about Related Transactions of Ping An Bank Co., Ltd. dated 10 July 2021*, 10 September 2021, 24 November 2021 and 28 December 2021 published on China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily and on the website of CNINFO (<http://www.cninfo.com.cn>) for further information.

6.15 Material contracts and their performance

- 1. Major entrustment, underwriting, lease: there was no major entrustment, underwriting, lease during the reporting period.
- 2. Material guarantee: apart from the guarantee business within its operating scope approved by the CBRC, the Bank had no other material guarantee.
- 3. Other material contracts and their performance: The Bank had no material contract dispute during the reporting period.

6.16 Material entrusted funding and entrusted investments

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

6.17 Other significant events

On 1 February 2021, the Bank successfully issued special financial bonds for loans to micro and small-sized enterprises with a total amount of RMB20 billion on the National Interbank Bond Market. The total amount of bonds issued in the current period was RMB20 billion, and the bonds have a maturity of 3 years, with a fixed coupon rate of 3.45%. The funds raised will be earmarked for special loans to micro and small-sized enterprises upon the approval from regulatory authorities in accordance with applicable laws as further credit loan support to promote the steady and healthy development of micro and small-sized enterprises.

In November 2021, the Bank completed the issuance of Tier 2 capital bonds to micro and small-sized enterprises with a total amount of RMB30 billion. The total amount of bonds issued this time was RMB30 billion, and the bonds have 10 years to maturity with fixed coupon rates. The Bank has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rate is 3.69%. The funds raised will be added to Tier 2 capital of the Bank upon the approval from competent authorities in accordance with applicable laws.

Description of significant events	Date of disclosure	Index of website disclosing temporary reports
Special financial bonds for loans to micro and small-sized enterprises	4 February, 2021	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)
Tier 2 capital bonds	12 November, 2021	

6.18 Significant events of the subsidiary of the company

☐ Applicable ☒ Not applicable

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

Changes in Shares and Shareholders

7.1 Changes in shares

7.1.1 Changes in shares

Type of shares	Before change		Change (+, -)					After change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Restricted shares	163,723	Around 0	-	-	-	232,525	232,525	396,248	Around 0
1. Shareholding of the state	-	-	-	-	-	-	-	-	-
2. Shareholding of state-owned legal entity	-	-	-	-	-	-	-	-	-
3. Shareholding of other domestic investors	163,723	Around 0	-	-	-	232,525	232,525	396,248	Around 0
Including:									
Shareholding of domestic legal entity	156,145	Around 0	-	-	-	-	-	156,145	Around 0
Shareholding of domestic natural person	7,578	Around 0	-	-	-	232,525	232,525	240,103	Around 0
4. Shareholding of foreign investors	-	-	-	-	-	-	-	-	-
Including:									
Shareholding of foreign corporation	-	-	-	-	-	-	-	-	-
Shareholding of foreign natural person	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	19,405,754,475	Around 100	-	-	-	(232,525)	(232,525)	19,405,521,950	Around 100
1. RMB ordinary shares	19,405,754,475	Around 100	-	-	-	(232,525)	(232,525)	19,405,521,950	Around 100
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total	19,405,918,198	100	-	-	-	-	-	19,405,918,198	100

Reason for the change in shares

☒ Applicable ☐ Not applicable

During the reporting period, the change in the shares of the restricted shares of the executives led to a increase of 232,525 restricted shares held by the Bank's domestic natural persons. The Bank's restricted shares increased by 232,525 shares.

Approval for the change in shares

☐ Applicable ☒ Not applicable

Transfer registration related to shares change

☐ Applicable ☒ Not applicable

Progress for share repurchase

☐ Applicable ☒ Not applicable

Progress for reducing repurchased shares by means of centralised bidding

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Changes in Shares and Shareholders

7.1 Changes in shares(Continued)

7.1.2 Statement of changes in restricted shares

(Unit: Share)

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

Note:

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

(2) The above figures do not include 240,103 locked shares held by directors and senior management in virtue of their capacity as senior management.

7.2 The issuance and listing of securities

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Shares of existing internal staff

☐ Applicable ☒ Not applicable

7.3 Shareholders and actual controller

7.3.1 Number of shareholders and shareholding conditions

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	502,716	Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report	506,734	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-	Total number of preference shareholders with restored voting rights as at the end of the month before the disclosure date of the annual report (if any)	-
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Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period	Shareholding (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	9,618,540,236	49.56	0	-	9,618,540,236	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1,744,996,540	8.99	(159,303,946)	-	1,744,996,540	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	0	-	1,186,100,488	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	440,478,714	2.27	0	-	440,478,714	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	0	-	429,232,688	-	-
Bank of China Limited - E Fund Selected Blue-chip Mixed Securities Investment Fund	Domestic legal entity	188,000,000	0.97	188,000,000	-	188,000,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	62,523,366	0.32	0	-	62,523,366	-	-
Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund	Domestic legal entity	60,143,542	0.31	27,999,884	-	60,143,542	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	58,000,060	0.30	0	-	58,000,060	-	-
CITIC Securities - China CITIC Bank - CITIC Securities Premier Growth Two-Year Holding Mixed Collective Asset Management Plan	Domestic legal entity	50,230,066	0.26	7,024,166	-	50,230,066	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)				None				
Explanation of the related party relationship or acting-in-concert relationship among the above shareholders		1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary of and acts in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.						
Explanation of the entrusting / entrusted voting rights and abstaining from voting rights involving the above shareholders				None				
Special explanation of the existence of special repurchase accounts in top 10 shareholders				None				

Changes in Shares and Shareholders

7.3 Shareholders and actual controller(Continued)

7.3.1 Number of shareholders and shareholding conditions(Continued)

Shareholdings of the top 10 shareholders not subject to restrictions

Name of shareholder	Number of unrestricted shares held	Type of shares	
		Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd.- the Group - proprietary fund	9,618,540,236	RMB ordinary shares	9,618,540,236
Hong Kong Securities Clearing Company Limited	1,744,996,540	RMB ordinary shares	1,744,996,540
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,186,100,488	RMB ordinary shares	1,186,100,488
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	440,478,714	RMB ordinary shares	440,478,714
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688
Bank of China Limited - E Fund Selected Blue-chip Mixed Securities Investment Fund	188,000,000	RMB ordinary shares	188,000,000
China Electronics Shenzhen Company	62,523,366	RMB ordinary shares	62,523,366
Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund	60,143,542	RMB ordinary shares	60,143,542
National Social Security Fund 117 Portfolio	58,000,060	RMB ordinary shares	58,000,060
CITIC Securities - China CITIC Bank - CITIC Securities Premier Growth Two-Year Holding Mixed Collective Asset Management Plan	50,230,066	RMB ordinary shares	50,230,066
Description of the related party relationship or acting-in-concert arrangement among the top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders	1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary and person acting in concert of Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.		
Description of the top 10 shareholders who engage in securities margin trading and short selling business	None		

Repurchase transactions by top 10 shareholders or top 10 shareholders of unrestricted shares during the reporting period

☐ Yes ☒ No

7.3.2 Particulars of controlling shareholder of the Bank

Name of controlling shareholder	Legal Representative	Establishment date	Organisation Code	Main business
Ping An Insurance (Group) Company of China, Ltd.	Ma Mingzhe	21 March 1988	Unified social credit code: 91440300100012316L	investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance business with the approval; conduct of other businesses approved by the China Banking and Insurance Regulatory Commission and the relevant state departments.
Equity of other domestic and foreign listed companies controlled and equity participation by the controlling shareholder during the reporting period	The controlling shareholder of the Bank, Ping An Insurance (Group) Company of China, Ltd., was listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. As of the reporting date, Ping An had not yet disclosed the <i>2021 annual report</i> . See the <i>2021 Annual Report of Ping An Insurance (Group) Company of China, Ltd.</i> for details when it becomes available.			

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

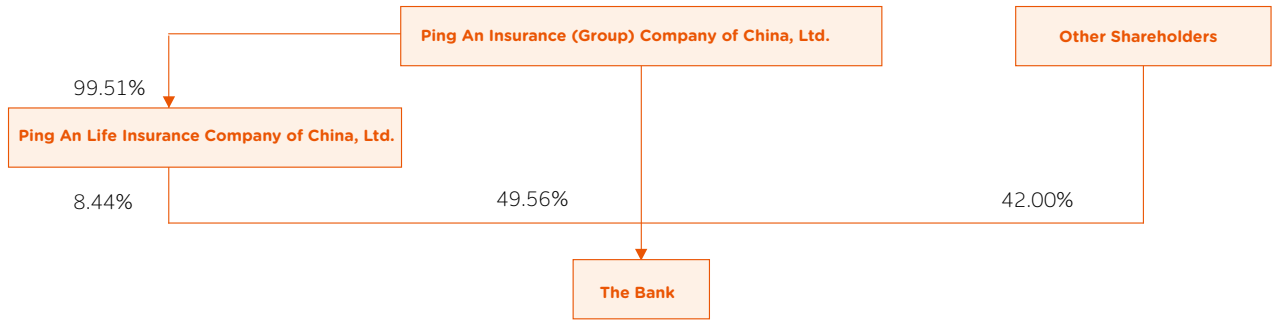
The controlling shareholder of the Bank is Ping An Insurance (Group) Company of China, Ltd. During the reporting period, there was no change in the controlling shareholder of the Bank. At the end of the reporting period, Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China,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

Changes in Shares and Shareholders

7.3 Shareholders and actual controller(Continued)

7.3.3 Change in the controlling shareholder of the Bank during the reporting period(Continued)

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



As at 31 December 2021, shareholders who directly or indirectly held more than 5% equities of China Ping An were Charoen Pokphand Group Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. As of the reporting date, Ping An had not yet disclosed the 2021 annual report. See the *2021 Annual Report of Ping An Insurance (Group) Company of China, Ltd.* for details when it becomes available.

7.3.4 Actual controller

There is no actual controller for the Bank.

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

☐ Applicable ☒ Not applicable

7.3.6 Other corporate shareholders with more than 10% shares held

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

(1) China Electronics Shenzhen Company At the end of the reporting period, China Electronics Shenzhen Company held 62,523,366 shares of the equity interest of the Bank and dispatched directors to the Bank. China Electronics Shenzhen Company was founded on 19 May 1982. The registered address is No. 2070, 2072, Shennan Middle Road, Futian District, Shenzhen. The registered capital is RMB350 million. The legal representative is Xiang Qunxiong. The scope of business includes: import and export of proprietary and outsourced goods and technology (Operating upon the document Wai Jing Mao Zheng Shen Han Zi [97] No. 1980); economic cooperation business with foreign enterprises (Operating upon the document Wai Jing Mao He Han [2001] No. 500); sales of textiles, groceries, industry production materials (excluding gold, silver, auto mobile and hazardous chemical), petroleum products (excluding refined oil), hardware, AC electrical materials, chemical products (excluding hazardous chemical), construction materials and art crafts (excluding gold accessories), and domestic sales of goods under import and export operation; labour service, information consulting, packaging service, property management and sales and rental service of self-owned properties; domestic freight forwarders; international freight forwarders; road transport business license; wholesale and retail of auto mobile, auto parts and engineering equipment; investment in and establishment of industries (specific projects are subject to additional approval); start-up investment. China Electronics Corporation Information Service Co., Ltd. is the controlling shareholder of China Electronics Shenzhen Company. China Electronics Corporation is the actual controlling party and ultimate beneficiary. China Electronics Shenzhen Company does not pledge any equity interest of the Bank.

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

Preference Shares

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

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

8.2 Number and shareholdings of preference shareholders of the company

(Unit: Share)

Total number of preference shareholders at the end of the reporting period	15	Total number of preference shareholders at the end of the month before the release of the annual report	15
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Shareholding of shareholders with more than 5% preference shares or the top 10 preference shareholders

Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held as at the end of the reporting period	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	58,000,000	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	19,330,000	-	-
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan	Domestic legal entity	8.95	17,905,000	17,905,000	-	17,905,000	-	-
Chuangjin Hexin Fund - Hua Xia Bank - Chuangjin Hexin Taize No. 6 Collective Asset Management Plan	Domestic legal entity	6.45	12,905,000	12,905,000	-	12,905,000	-	-
Hwabao Trust Co., Ltd. - Hwabao Trust - Baofu Investment No. 1 Collective Capital Trust Plan	Domestic legal entity	4.52	9,040,000	9,040,000	-	9,040,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	8,930,000	-	-
Jiangsu International Trust Co., Ltd. - Jiangsu Trust - Hexiang Tianli No. 1 Collective Capital Trust Plan	Domestic legal entity	3.66	7,325,000	7,325,000	-	7,325,000	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
CITIC Securities - Postal Saving Bank - CITIC Securities Star No. 28 Collective Asset Management Plan	Domestic legal entity	2.98	5,950,000	5,950,000	-	5,950,000	-	-
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution	Not applicable							
Description of the related party relationship or person acting-in-concert among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are majority-owned subsidiaries and persons acting in concert of the Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product", "Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance", "Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance" and "Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.							

Preference Shares

8.3 Profit distribution of preference shares of the company

☒ Applicable ☐ Not applicable

(In RMB million)

Time of distribution	Dividend yield	Amount of distribution (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
8 March 2021	4.37%	874	Yes	Paid in cash once a year	No	No

Preference share distribution in recent three years

(In RMB million)

Distribution year	Amount of distribution (tax inclusive)	Net profit attributable to shareholders of the Bank in the distribution year	Proportion accounting for net profit attributable to shareholders of the Bank	Description of amount included in the next accounting year due to the insufficiency of distributable profits or participating in surplus profit distribution
2021	874	36,336	2.41%	Not applicable
2020	874	28,928	3.02%	Not applicable
2019	874	28,195	3.10%	Not applicable

Whether profit distribution policies of preference shares are adjusted or changed

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

Other descriptions regarding preference shares distribution

☐ Applicable ☒ Not applicable

8.4 Repurchase or conversion of preference shares

☐ Applicable ☒ Not applicable

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

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

Recovery and exercise of voting rights of preference shares

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

8.6 Accounting policies and reasons adopted for preference shares

☒ Applicable ☐ Not applicable

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

☐ Applicable ☒ Not applicable

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Auditor’s Report

Ernst & Young Hua Ming (2022) Shen Zi No. 60438538_H01
PING AN BANK CO., LTD.

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

I.Opinion

We have audited the accompanying financial statements of Ping An Bank Co., Ltd., which comprise: the consolidated and bank balance sheets as at 31 December 2021; the consolidated and bank income statements for the year then ended; the consolidated and bank statements of changes in shareholders' equity for the year then ended; the consolidated and cash flow statements for the year then ended; and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and bank’s financial position as at 31 December 2021, and the consolidated and bank’s financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (“ASBEs”).

II.Basis for Opinion

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

III.Key Audit Matters

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

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

Key Audit Matters	How our audit addressed the matter
<i>Expected credit losses (ECL) of loans and advances to customers, investment on debts and credit commitments</i>	
In ECL measurement, Ping An Bank applied multiple models and assumptions, such as: 1.Significant increase in credit risk: selecting criteria for significant increase in credit risk is highly dependent on judgements and could exert significant impacts on ECL of loans and investment on debts with long lifetime. 2.Models and parameters: the model used in the measurement of ECL is highly complex in nature. It needs many input parameters and the parameters evaluation involves more judgements and assumptions; 3.Forward-looking information: predict the macroeconomics, and considering how ECL will be impacted under the weight of different economic scenarios; 4.Individual impairment assessment: many factors should be considered in determining whether loans or investment on debts have credit impairment. Individual impairment evaluation depends on the estimation of future cash flows. Since the impairment assessment of loans and advances to customers, investment on debts and credit commitments in the ECL model involves judgement and assumptions, and in view of the significance of the amount (as at 31 December 2021, total distributed loans and advances to customers (including accrued interest) amounted to RMB3,074,009 million, and impairment allowance for loans and advances to customers amounted to RMB90,202 million. Investment on debts (including accrued interest) amounted to RMB749,276 million, and impairment provision for investment on debts amounted to RMB11,110 million. Credit commitment exposures amounted to RMB1,561,729 million, and the provisions amounted to RMB3,908 million), we consider the estimation a key audit matter. For related disclosures, please refer to Note III 8.4, Note III 34(ii), Note IV 6, Note IV 8, Note IV 29, Note VI 2 and Note VIII 1.2 to the financial statements.	We understood, assessed and tested the design and operating effectiveness of key internal control(including data quality and information system) related to the ECL of loans and advances to customers, investment on debts and credit commitments. We adopted a risk-based sampling approach, choosed samples to implement review procedures to loans and advances to customers and investment on debts. Based on post-loan or post-investment investigation report, the debtor’s financial information, collateral valuation reports and other available information, we analyzed the debtor’s repayment ability and assessed Ping An Bank’s rating results to loans and advances to customers and investment on debts. With the help of internal specialist, we assessed and tested the parameters, management’s significant judgements and related assumptions used in the ECL model. 1.ECL model: ● Considering the macroeconomic fluctuations, we assessed the reasonableness of the methodology of ECL model and related parameters, including default probability, default loss rate, risk exposure, significant increase in credit risk, etc.. ● We evaluated the forward-looking information used by the management in determining the ECL, including the forecasts of macroeconomic variables and assumptions and weight of multiple economic scenarios. ● We assessed models and related assumptions used in individual impairment assessment, and analyzed the amount, timing and likelihood of estimated future cash flows, especially the recoverable amount of collaterals. 2.Design and operating effectiveness of key controls: ● We evaluated and tested the data and processes used to confirm the provisions for ECL, including Loans and advances to customers, investment on debts and credit commitment business data, internal credit rating data, macroeconomic data, etc., as well as the system calculation logic, data input, system interface, etc. ● We evaluated and tested key controls for the ECL model, including model change approvals, ongoing monitoring of model performance, model validation, and parameter calibration. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of Ping An Bank’s credit risk exposures and ECL.

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the matter
Consolidation assessment of structured entities	
Ping An Bank had interests in various structured entities, including bank wealth management products, funds, wealth management plans, trust plans, in conducting financial investments, asset management business and asset-backed securities.	We understood, assessed and tested the effectiveness of design and implementation of internal key controls related to evaluating the consolidation of structured entities. These internal controls mainly included approval of transaction structures and contract terms, and review and approval of consolidation assessment and results.
Ping An Bank determines whether or not to consolidate these structured entities based on the assessment of whether the Bank has control taking into consideration power arising from rights, variable returns, and link between power and returns.	In addition, we checked supporting documents of structured entities managed or invested by Ping An Bank on a sampling basis, including related contracts, internal documents and information obtained as an investor or disclosed to investors, and assessed whether Ping An Bank had control over the structured entities by conducting the following audit procedures:
The assessment of the existence of Ping An Bank’s control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. A comprehensive analysis of these factors and the conclusion of whether any controls exist involves significant management judgments and estimates. Due to the significance of the control and the complexity of judgment exercised by the management, it is considered a key audit matter.	1.We acquired an understanding of the purpose of setting up the structured entities and the participation of Ping An Bank in the structured entities, and assessed management’s judgement regarding whether Ping An Bank had power over the structured entities;
For related disclosures, please refer to Note III 5, Note III 34(iv), and Note IV 52 to the financial statements.	2.We checked the structure design of risks and rewards by the structured entities, including any assets owned in the structured entities by Ping An Bank or guarantee for its income, arrangement for providing liquidity support, payment of expenses and allocation of income etc., to assess the magnitude and variability of the variable returns from the structured entities owned by Ping An Bank as judged by management;
	3.We determined Ping An Bank’s role in the aforesaid activities as an agent or a principal in charge based on whether the Bank was able to influence the amount of return by exercising its rights over the structured entities, including analysing Ping An Bank’s decision scope, rewards gained, other interests, and other participators’ rights.

IV.Other Information

Management of Ping An Bank is responsible for the other information. The other information comprises all of the information included in annual report of Ping An Bank other than the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- (4) Conclude on the appropriateness of the management’s use of the going concern basis of accounting. And, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause Ping An Bank Co., Ltd. to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Bank Co., Ltd. to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China

9 March 2022

Chinese Certified Public Accountant

Chinese Certified Public Accountant

Chang Hua (Engagement Partner)

Wang Yangyan

31 December 2021
(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		31 December 2021	31 December 2020
Assets			
Cash and balances with the Central Bank	1	312,033	283,982
Deposits with banks and other financial institutions	2	78,215	106,174
Precious metals		17,820	31,340
Placements with banks and other financial institutions	3	94,473	70,996
Derivative financial assets	4	30,238	36,607
Financial assets held under resale agreements	5	6,388	95,314
Loans and advances to customers	6	2,984,753	2,610,841
Financial investments:			
Financial assets held for trading	7	389,703	311,270
Investment on debts	8	738,166	633,619
Other investment on debts	9	152,428	197,073
Other equity investment	10	2,592	1,649
Investment properties	12	558	573
Fixed assets	13	11,974	10,893
Right-of-use assets	14	6,771	7,149
Intangible assets	15	5,801	3,852
Goodwill	16	7,568	7,568
Deferred income tax assets	17	39,735	39,034
Other assets	18	42,164	20,580
Total assets		4,921,380	4,468,514

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

Consolidated Balance Sheet(Continued)

31 December 2021

(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		31 December 2021	31 December 2020
Liabilities			
Borrowings from the Central Bank	20	148,162	124,587
Deposits from banks and other financial institutions	21	345,131	469,551
Placements from banks and other financial institutions	22	32,394	41,034
Financial liabilities held for trading	23	43,421	31,505
Derivative financial liabilities	4	31,092	41,485
Financial assets sold under repurchase agreements	24	47,703	35,286
Deposits due to customers	25	2,990,518	2,695,935
Employee benefits payable	26	18,095	16,959
Taxes payable	27	11,685	11,444
Debt securities issued	28	823,934	611,865
Lease liabilities	14	6,968	7,346
Accrued liabilities	29	3,944	958
Deferred income tax liabilities	17	-	2
Other liabilities	30	22,885	16,426
Total liabilities		4,525,932	4,104,383
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instrument	32	69,944	69,944
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	49,991
Capital reserve	33	80,816	80,816
Other comprehensive income	47	1,785	462
Surplus reserve	34	10,781	10,781
General reserve	35	58,339	51,536
Undistributed profit	36	154,377	131,186
Total shareholders' equity		395,448	364,131
Total liabilities and shareholders' equity		4,921,380	4,468,514

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

The financial statements have been signed by:

Legal representative: Xie Yonglin President: Hu Yuefei Vice president of the Bank and CFO: Xiang Youzhi Institution(s)Chief Officer of Financial Department: Zhu Peiqing

Bank Balance Sheet

31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Bank	
	Note IV	31 December 2021	31 December 2020
Assets			
Cash and balances with the Central Bank	1	312,033	283,982
Deposits with banks and other financial institutions	2	77,890	106,060
Precious metals		17,820	31,340
Placements with banks and other financial institutions	3	94,473	70,996
Derivative financial assets	4	30,238	36,607
Financial assets held under resale agreements	5	6,388	94,749
Loans and advances to customers	6	2,984,753	2,610,841
Financial investments:			
Financial assets held for trading	7	386,946	308,700
Investment on debts	8	737,139	633,619
Other investment on debts	9	151,426	195,661
Other equity investment	10	2,592	1,649
Long-term equity investments	11	5,000	5,000
Investment properties	12	558	573
Fixed assets	13	11,947	10,893
Right-of-use assets	14	6,743	7,097
Intangible assets	15	5,801	3,852
Goodwill	16	7,568	7,568
Deferred income tax assets	17	39,719	39,034
Other assets	18	42,039	20,558
Total assets		4,921,073	4,468,779

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

Bank Balance Sheet(Continued)

31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Bank	
	Note IV	31 December 2021	31 December 2020
Liabilities			
Borrowings from the Central Bank	20	148,162	124,587
Deposits from banks and other financial institutions	21	346,225	469,901
Placements from banks and other financial institutions	22	32,394	41,034
Financial liabilities held for trading	23	43,421	31,505
Derivative financial liabilities	4	31,092	41,485
Financial assets sold under repurchase agreements	24	47,703	35,286
Deposits due to customers	25	2,990,522	2,695,937
Employee benefits payable	26	17,866	16,846
Taxes payable	27	11,418	11,376
Debt securities issued	28	823,934	611,865
Lease liabilities	14	6,943	7,296
Accrued liabilities	29	3,944	958
Other liabilities	30	23,782	16,743
Total liabilities		4,527,406	4,104,819
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instrument	32	69,944	69,944
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	49,991
Capital reserve	33	80,816	80,816
Other comprehensive income	47	1,784	456
Surplus reserve	34	10,781	10,781
General reserve	35	57,083	51,534
Undistributed profit	36	153,853	131,023
Total shareholders' equity		393,667	363,960
Total liabilities and shareholders' equity		4,921,073	4,468,779

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

Consolidated Income Statement

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Group	
	Note IV	Year ended 31 December 2021	Year ended 31 December 2020
I. Operating income			
Interest income	37	213,536	201,007
Interest expenses	37	(93,200)	(87,537)
Net interest income	37	120,336	113,470
Fee and commission income	38	40,190	39,476
Fee and commission expenses	38	(7,128)	(9,815)
Net fee and commission income	38	33,062	29,661
Investment income	39	12,243	9,921
Including: Gains from derecognition of financial assets measured at amortized cost		95	621
Profit or loss arising from changes in fair value	40	2,080	(614)
Gains or losses on foreign exchanges	41	1,320	762
Revenue from other operations	42	105	111
Gains or losses on disposal of assets		12	57
Other income		225	174
Total operating income		169,383	153,542
II. Operating expenses			
Taxes and surcharges	43	(1,644)	(1,525)
Business and administrative expenses	44	(47,937)	(44,690)
Total operating expenses		(49,581)	(46,215)
III. Operating profit before impairment losses on assets		119,802	107,327
Impairment losses on credit	45	(72,619)	(69,611)
Impairment losses on other assets		(1,198)	(807)
IV. Operating profit		45,985	36,909
Add: Non-operating income		158	77
Less: Non-operating expenses		(264)	(232)

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

Consolidated Income Statement(Continued)

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		Year ended 31 December 2021	Year ended 31 December 2020
V. Total profit		45,879	36,754
Less: Income tax expenses	46	(9,543)	(7,826)
VI. Net profit		36,336	28,928
(I) Net profit from continuing operations		36,336	28,928
(II) Net profit from discontinued operations		-	-
VII. Net value of other comprehensive income after tax	47		
(I) Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity investments		45	(476)
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		1,119	(1,524)
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		363	(66)
3. Reserve of cash flow hedges		(209)	209
4. Translation differences on foreign currency financial statements		5	5
Sub-total		1,278	(1,376)
Total other comprehensive income		1,323	(1,852)
VIII. Total comprehensive income		37,659	27,076
IX. Earnings per share			
Basic earnings per share (EPS) (RMB/share)	48	1.73	1.40
Diluted earnings per share (EPS) (RMB/share)	48	1.73	1.40

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

Bank Income Statement

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

	Note IV	The Bank	
		Year ended 31 December 2021	Year ended 31 December 2020
I. Operating income			
Interest income	37	213,434	200,992
Interest expenses	37	(93,207)	(87,547)
Net interest income	37	120,227	113,445
Fee and commission income	38	39,914	39,463
Fee and commission expenses	38	(9,270)	(10,137)
Net fee and commission income	38	30,644	29,326
Investment income	39	12,179	9,906
Including: Gains from derecognition of financial assets measured at amortized cost		95	621
Profit or loss arising from changes in fair value	40	2,075	(616)
Gains or losses on foreign exchanges	41	1,320	762
Revenue from other operations	42	105	111
Gains or losses on disposal of assets		12	57
Other income		176	174
Total operating income		166,738	153,165
II. Operating expenses			
Taxes and surcharges	43	(1,628)	(1,522)
Business and administrative expenses	44	(47,398)	(44,530)
Total operating expenses		(49,026)	(46,052)
III. Operating profit before impairment losses on assets		117,712	107,113
Impairment losses on credit	45	(72,617)	(69,611)
Impairment losses on other assets		(1,198)	(807)
IV. Operating profit		43,897	36,695
Add: Non-operating income		158	77
Less: Non-operating expenses		(264)	(232)

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

Bank Income Statement(Continued)

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

	Note IV	The Bank	
		Year ended 31 December 2021	Year ended 31 December 2020
V. Total profit		43,791	36,540
Less: Income tax expenses	46	(9,070)	(7,777)
VI. Net profit		34,721	28,763
(I) Net profit from continuing operations		34,721	28,763
(II) Net profit from discontinued operations		-	-
VII. Net value of other comprehensive income after tax	47		
(I) Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity investments		45	(476)
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		1,124	(1,530)
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		363	(66)
3. Reserve of cash flow hedges		(209)	209
4. Translation differences on foreign currency financial statements		5	5
Sub-total		1,283	(1,382)
Total other comprehensive income		1,328	(1,858)
VIII. Total comprehensive income		36,049	26,905

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

Consolidated And Bank Statements Of Changes In Shareholders' Equity

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

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

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

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

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

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

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

Year ended 31 December 2021	The Group								
	Note	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2020		19,406	39,948	80,816	2,314	10,781	46,348	113,370	312,983
II. Changes in current year									
(I)Net profit		-	-	-	-	-	-	28,928	28,928
(II)Other comprehensive income	IV. 47	-	-	-	(1,852)	-	-	-	(1,852)
Total comprehensive income		-	-	-	(1,852)	-	-	28,928	27,076
(III)Capital contribution by shareholders									
1. Capital invested by other equity instruments holders		-	29,996	-	-	-	-	-	29,996
(IV)Profit distribution									
1. Appropriation to surplus reserves		-	-	-	-	-	-	-	-
2. Appropriation to general reserve		-	-	-	-	-	5,188	(5,188)	-
3. Cash dividends on ordinary shares		-	-	-	-	-	-	(4,230)	(4,230)
4. Preferred share dividends		-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds		-	-	-	-	-	-	(820)	(820)
III. Balance at 31 December 2020		19,406	69,944	80,816	462	10,781	51,536	131,186	364,131

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

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

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

	The Bank								
	Note	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
Year ended 31 December 2020									
I. Balance at 1 January 2020		19,406	39,948	80,816	2,314	10,781	46,348	113,370	312,983
II. Changes in current year									
(I)Net profit		-	-	-	-	-	-	28,763	28,763
(II)Other comprehensive income	IV. 47	-	-	-	(1,858)	-	-	-	(1,858)
Total comprehensive income		-	-	-	(1,858)	-	-	28,763	26,905
(III)Capital contribution by shareholders									
1. Capital invested by other equity instruments holders		-	29,996	-	-	-	-	-	29,996
(IV)Profit distribution									
1. Appropriation to surplus reserves		-	-	-	-	-	-	-	-
2. Appropriation to general reserve		-	-	-	-	-	5,186	(5,186)	-
3. Cash dividends on ordinary shares		-	-	-	-	-	-	(4,230)	(4,230)
4. Preferred share dividends		-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds		-	-	-	-	-	-	(820)	(820)
III. Balance at 31 December 2020		19,406	69,944	80,816	456	10,781	51,534	131,023	363,960

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

Consolidated Cash Flow Statement

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Group	
	Note IV	Year ended 31 December 2021	Year ended 31 December 2020
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		10,033	20,946
Net increase in borrowings from the Central Bank		23,452	11,012
Net increase in customer deposits and deposits from banks and other financial institutions		162,932	335,675
Net decrease in placements with and loans to banks and other financial institutions		3,112	5,302
Net increase in placements from banks and other financial institutions		-	15,140
Net increase in financial assets sold under repurchase agreements		12,495	-
Net decrease in financial assets held under resale agreements		-	57
Cash received from interest and fee and commission income		230,719	218,484
Other cash receipts relating to operating activities	50	43,305	46,996
Sub-total of cash inflows from operating activities		486,048	653,612
Net increase in loans and advances to customers		(447,389)	(405,611)
Net decrease in placements from banks and other financial institutions		(8,629)	-
Net increase in financial assets held under reverse repurchase agreements		(181)	-
Net increase in financial assets held for trading		(68,934)	(113,364)
Net decrease in financial assets held under repurchase agreements		-	(4,602)
Cash payments for interest, fee and commission expenses		(70,444)	(80,185)
Cash paid to and on behalf of employees		(20,560)	(17,829)
Cash payments for taxes and surcharges		(23,411)	(24,525)
Other cash payments related to operating activities	51	(39,233)	(23,657)
Sub-total of cash outflows from operating activities		(678,781)	(669,773)
Net cash flows used in operating activities		(192,733)	(16,161)

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

Consolidated Cash Flow Statement(Continued)

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Group	
	Note IV	Year ended 31 December 2021	Year ended 31 December 2020
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		483,160	661,967
Cash received from returns on investments		36,017	36,942
Cash received from disposal of property and equipment and other long-term assets		559	377
Sub-total of cash inflows from investing activities		519,736	699,286
Cash paid for investments		(553,577)	(679,852)
Cash paid to acquire property and equipment, intangible assets and other long-term assets		(6,614)	(3,490)
Sub-total of cash outflows from investing activities		(560,191)	(683,342)
Net cash flows used in investing activities		(40,455)	15,944
III. Cash flows from financing activities			
Cash received from issuance of debt securities and other equity instruments		1,112,799	806,570
Sub-total of cash inflows from financing activities		1,112,799	806,570
Cash repayments for principal of debt securities		(917,740)	(690,400)
Cash repayments for interest of debt securities		(4,895)	(3,980)
Cash payments for dividend and profit appropriation		(6,342)	(5,924)
Cash payments for lease liabilities		(2,758)	(2,865)
Sub-total of cash outflows from financing activities		(931,735)	(703,169)
Net cash flow from financing activities		181,064	103,401
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,604)	(3,292)
V. Net (decrease) / increase in cash and cash equivalents		(53,728)	99,892
Add: Cash and cash equivalents at the beginning of the year		278,950	179,058
VI. Closing balance of cash and cash equivalents	49	225,222	278,950

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

Supplementary information	Note IV	The Group	
		Year ended 31 December 2021	Year ended 31 December 2020
1. Reconciliation of net profit to cash flow from operating activities			
Net profit		36,336	28,928
Adjustments:			
Impairment losses on credit	45	72,619	69,611
Impairment losses on other assets		1,198	807
Interest income arising from financial assets that have been impaired		(109)	(260)
Depreciation of investment properties		23	23
Depreciation of fixed assets	44	1,773	1,508
Depreciation of right-of-use assets	44	2,442	2,663
Amortization of intangible assets	44	959	1,059
Amortization of long-term deferred expenses		704	630
Net losses from the disposal of fixed assets and other long-term assets		42	26
Profit or loss arising from changes in fair value of financial instruments		(2,734)	(1,055)
Loss on changes in fair value of foreign exchange derivative financial instruments		(689)	1,771
Interest income and profits from investment		(32,989)	(33,754)
Increase in deferred tax assets	46	(1,143)	(3,688)
Interest expense on lease liabilities		196	218
Interest expense on issued debt securities	37	21,905	15,909
Increase in operating receivables		(500,983)	(483,076)
Increase in operating payables		207,708	382,515
Provision for estimated litigation losses		9	4
Net cash flows used in operating activities		(192,733)	(16,161)
2. Net (decrease)/increase in cash and cash equivalents			
Closing balance of cash	49	3,685	3,805
Less: Opening balance of cash		(3,805)	(5,459)
Add: Closing balance of cash equivalents	49	221,537	275,145
Less: Opening balance of cash equivalents		(275,145)	(173,599)
Net (decrease) / increase in cash and cash equivalents		(53,728)	99,892

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

Bank Cash Flow Statement

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

		The Bank	
	Note IV	Year ended 31 December 2021	Year ended 31 December 2020
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		10,033	20,946
Net increase in borrowings from the Central Bank		23,452	11,012
Net increase in customer deposits and deposits from banks and other financial institutions		163,679	336,027
Net decrease in placements with and loans to banks and other financial institutions		3,112	5,302
Net increase in placements from banks and other financial institutions		-	15,140
Net increase in financial assets sold under repurchase agreements		12,495	-
Net decrease in financial assets held under resale agreements		-	57
Cash received from interest and fee and commission income		230,503	218,474
Other cash receipts relating to operating activities	50	43,257	46,996
Sub-total of cash inflows from operating activities		486,531	653,954
Net increase in loans and advances to customers		(447,389)	(405,611)
Net decrease in placements from banks and other financial institutions		(8,629)	-
Net increase in financial assets held under reverse repurchase agreements		(181)	-
Net increase in financial assets held for trading		(68,616)	(110,897)
Net decrease in financial assets held under repurchase agreements		-	(4,602)
Cash payments for interest, fee and commission expenses		(72,111)	(80,195)
Cash paid to and on behalf of employees		(20,358)	(17,827)
Cash payments for taxes and surcharges		(22,973)	(24,523)
Other cash payments related to operating activities	51	(39,069)	(23,633)
Sub-total of cash outflows from operating activities		(679,326)	(667,288)
Net cash flows used in operating activities		(192,795)	(13,334)

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

		The Bank	
	Note IV	Year ended 31 December 2021	Year ended 31 December 2020
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		483,160	661,967
Cash received from returns on investments		35,852	36,942
Cash received from disposal of property and equipment and other long-term assets		559	377
Sub-total of cash inflows from investing activities		519,571	699,286
Cash paid for investments		(552,980)	(683,451)
Cash paid to acquire property and equipment, intangible assets and other long-term assets		(6,571)	(3,490)
Sub-total of cash outflows from investing activities		(559,551)	(686,941)
Net cash flows (used in)/from financing activities		(39,980)	12,345
III. Cash flows from financing activities			
Cash received from issuance of debt securities and other equity instruments		1,112,799	806,570
Sub-total of cash inflows from financing activities		1,112,799	806,570
Cash repayments for principal of debt securities		(917,740)	(690,400)
Cash repayments for interest of debt securities		(4,895)	(3,980)
Cash payments for dividend and profit appropriation		(6,342)	(5,924)
Cash payments for lease liabilities		(2,732)	(2,859)
Sub-total of cash outflows from financing activities		(931,709)	(703,163)
Net cash flow from financing activities		181,090	103,407
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,604)	(3,292)
V. Net (decrease) / increase in cash and cash equivalents		(53,289)	99,126
Add: Opening balance of cash and cash equivalents		278,184	179,058
VI. Closing balance of cash and cash equivalents	49	224,895	278,184

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

Bank Cash Flow Statement(Continued)

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

Supplementary information	Note IV	The Bank	
		Year ended 31 December 2021	Year ended 31 December 2020
1.Reconciliation of net profit to cash flow from operating activities			
Net profit		34,721	28,763
Adjustments:			
Impairment losses on credit	45	72,617	69,611
Impairment losses on other assets		1,198	807
Interest income arising from financial assets that have been impaired		(109)	(260)
Depreciation of investment properties		23	23
Depreciation of fixed assets	44	1,764	1,508
Depreciation of right-of-use assets	44	2,418	2,660
Amortization of intangible assets	44	959	1,059
Amortization of long-term deferred expenses		703	630
Net losses from the disposal of fixed assets and other long-term assets		42	26
Profit or loss arising from changes in fair value of financial instruments		(2,728)	(1,053)
Loss on changes in fair value of foreign exchange derivative financial instruments		(689)	1,771
Interest income and profits from investment		(32,797)	(33,751)
Increase in deferred tax assets	46	(1,126)	(3,688)
Interest expense on lease liabilities		194	218
Interest expense on issued debt securities	37	21,905	15,909
Increase in operating receivables		(497,504)	(480,231)
Increase in operating payables		205,605	382,660
Provision for estimated litigation losses		9	4
Net cash flows used in operating activities		(192,795)	(13,334)
2.Net (decrease)/ increase in cash and cash equivalents			
Closing balance of cash	49	3,685	3,805
Less: Opening balance of cash		(3,805)	(5,459)
Add: Closing balance of cash equivalents	49	221,210	274,379
Less: Opening balance of cash equivalents		(274,379)	(173,599)
Net (decrease) / increase in cash and cash equivalents		(53,289)	99,126

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

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

I.General information of the Bank

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereinafter referred to as the “Bank”) was established in Shenzhen Special Economic Zone in the People’s Republic of China (the “PRC”) as a result of the restructuring of six rural credit cooperatives into a joint stock commercial bank with limited liability. The Bank was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Bank was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001. As at 31 December 2021, the share capital of the Bank amounted to RMB19,406 million, with a face value of RMB1 per share.

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

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

On 16 December 2019, the Bank opened a branch in Hong Kong Special Administrative Region, China (“Hong Kong”). On 31 December 2021, the Bank had branches in Mainland China and Hong Kong. The Bank’s Head Office and domestic branches are collectively referred to as “domestic institutions” and its overseas branches are collectively referred to as “overseas institutions”.

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

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

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

The financial statements were approved and authorised for issue by the Board on 9 March 2022.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

II. Basis of preparation of the financial statements

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

The financial statements have been on a going concern basis.

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

III. Significant accounting policies and accounting estimates

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

The financial statements present truly and completely consolidated and bank financial positions of and the Group as at 31 December 2021, and consolidated and bank financial performance and the cash flows for the year then ended and relevant information in accordance with Accounting Standards for Business Enterprises.

2. Accounting year

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

3. Functional currency

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

4. Business combinations

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

Business combinations involving entities under common control

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

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

Business combination not involving entities under common control

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

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognise the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill and recognise the negative difference in profit or loss of the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs arising from equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

5. Consolidated financial statements

The consolidated financial statements are prepared on the basis of where control is achieved, including the Group and all its subsidiaries (including the structured entities).

Subsidiaries are the entities controlled by the Group. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

A structured entity refers to an entity of which, when controller of an entity is determined, the voting rights or similar rights do not compose a decisive factor affecting the design of entity structure (e.g. the voting rights are only related to administrative affairs), and relevant activities of the entity are carried out in accordance with contracts or corresponding arrangements.

For subsidiaries acquired through business combinations not involving entities under common control, the financial

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

5. Consolidated financial statements (Continued)

performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognised on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. A subsidiary's shareholders' equity, net profits and losses and comprehensive income for the period not attributable to the Bank are recognised as non-controlling interests, profits and losses attributable to minority interests and total comprehensive income attributable to minority interests, and are presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where a subsidiary's loss for the current period attributed to the non-controlling shareholders exceed their share of owners' equity of the subsidiary at the beginning of the period, the excess shall be allocated to non-controlling interests. Unrealised gains or losses resulting from the sales of assets by the Bank to its subsidiaries are fully eliminated against net profit attributable to owners of the Bank. Unrealised gains or losses resulting from the sales of assets by a subsidiary to the Bank are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary. Unrealised gains or losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary.

If a transaction is accounted for by the Bank or its subsidiary in a way different from the Group, it is adjusted to conform to the way of the Group.

6. Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are on initial recognition translated to RMB at the exchange rates quoted by the People's Bank of China ("the spot exchange rates") prevailing on the day in which the transactions take place. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognised in "Net gains from foreign exchange and foreign exchange products" or "Other comprehensive income" in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions; non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognised in "Net gains from foreign exchange and foreign exchange products" or "Other comprehensive income" in the income statement.

Assets and liabilities from overseas institutions in the balance sheet are translated using the spot exchange rate at the balance sheet date, and equity items other than unappropriated profit are translated at the spot exchange rates at the dates of transactions. Revenue and expense items in income statement from overseas institutions are translated using the spot exchange rates prevailing on the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income. Cash flows arising from transactions in a foreign currency are translated using the spot exchange rates at the dates on which the transactions take place. The effect of exchange rate changes on cash is separately presented in the statement of cash flows.

7. Precious metals

The Group's precious metals mainly include gold. Precious metals that are not related to the Group's precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss for the period.

8. Financial assets and liabilities

8.1 Initial recognition and measurement of financial instruments

Financial assets or liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, financial assets and liabilities are measured at fair value by the Group. For financial assets or financial liabilities not designated at fair value and changes included into the profits and losses for the period, transaction costs (such as commission and fee) that are directly attributable to the acquisition or issuance of financial assets or liabilities are added or deducted. Transaction costs for financial assets and liabilities designated at fair value and changes included into the profits and losses for the period are recognised as expenses through profit or loss. After initial recognition, for financial assets measured at amortised cost and investments in debt instruments designated at fair value and changes included into other comprehensive income, their expected credit losses are immediately recognised in profit or loss.

When the fair value of the financial assets and liabilities at initial recognition is different from their transaction costs, the Group confirms the difference in the following ways:

(i) If the fair value is determined based on the quoted price in active markets (i.e., Level 1 inputs) for identical assets or liabilities or based on valuation techniques using only observable market data, the difference is recognised in profit or loss.

(ii) In other cases, the Group defers the difference and determines each time point for recognising the profit or loss after the first deferral date. The difference may be amortised over the lifetime of the financial instruments, or deferred until the fair value of the instruments can be determined using observable market data, or recognised in profit or loss when the financial instruments are settled.

8.2 Classification and subsequent measurement of financial assets

Classification

The Group classifies its financial assets into the following categories:

- (i) Financial assets at fair value through profit or loss (FVTPL)
- (ii) Financial assets at fair value through other comprehensive income (FVTOCI)
- (iii) Financial assets measured at amortised cost

Financial assets are classified based on the business model governing those financial assets and the characteristics of the corresponding contractual cash flows.

The business model reflects how the Group manages its financial assets to generate cash flows. In other words, it reflects whether the Group's goal is only collecting contractual cash flows of the assets, or both collecting contractual cash flows and trading the financial assets. If neither of the above is applicable (e.g., holding the financial assets for trading), the financial asset group falls into the category of "others" for business model and is classified as financial assets designated at fair value and changes included into the profits and losses for the period.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

8. Financial assets and liabilities (Continued)

8.2 Classification and subsequent measurement of financial assets (Continued)

If the business model is collecting contractual cash flows, or includes both collecting contractual cash flows and trading the financial assets, the Group will assess whether the cash flows of financial instruments are solely payments of principal and interest. In the assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, that is, the interest only includes the time value of currency, credit risk, other basic lending risks and considerations for profit rates in compliance with the basic lending arrangements. If contract terms lead to risks or volatility exposures inconsistent with basic lending arrangements, the relevant financial assets should be classified as financial assets designated at fair value and changes included into the profits and losses for the period.

For financial assets containing embedded derivatives, the Group should analyse them as a whole when confirming if the contractual cash flows are solely payments of principal and interest.

Subsequent measurement

Debt instruments

Debt instruments refer to those instruments complying with the definition of financial liabilities analysed from the view of the issuers, such as loans, government bonds and corporate bonds.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group classifies debt instruments using the following three measurement methods:

- **Measured at amortised cost:** Assets that are held for receiving contractual cash flows and whose cash flows are solely payments of principal and interest are classified into financial assets measured at amortised cost. The interest income of such financial assets is recognised by the Group based on the effective interest method. The Group's debt instruments measured at amortised cost mainly comprise balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions that are measured at amortised cost, financial assets held under resale agreements, loans and advances to customers that are measured at amortised cost, investment on debts and other receivables.

The amortised cost of a financial asset shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) minus the cumulative loss provisions (only applicable to financial assets). The Group calculates the interest income of the asset using the effective interest method and presents it as "interest income".

The effective interest rate is the interest rate at which the estimated future cash flows of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortised cost before deduction of loss provisions) or the amortised cost of the financial liability. When calculating the effective interest rate, the expected credit losses are not taken into account, while the transaction costs, premiums or discounts, and fees paid or received that are an integral part of the effective interest rate are included.

- Designated at fair value and changes included into other comprehensive income: Assets that are held for receiving contractual cash flows and for sale and whose cash flows are solely payments of principal and interest are classified into financial assets designated at fair value and changes included into other comprehensive income. Such assets are subsequently designated at fair value with impairment losses or gains relating to the amortised cost of the financial asset, interest calculated using the effective interest method, net gains from foreign exchange and foreign exchange products recognised in profit or loss for the current period. Besides, other changes in the carrying amount are included in other comprehensive income. Where a financial asset is derecognised, the accumulated gains or losses that are previously

recognised in other comprehensive income are transferred from equity to profit or loss. Interest income from these financial assets is calculated at effective interest rate and recognised in profit or loss. The Group's debt instruments designated at fair value and changes included into other comprehensive income mainly comprise placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income and other investment on debts.

The fair value of a financial asset is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on measurement date. An orderly transaction refers to a transaction in which related assets or liabilities are traded in customary market activities in a period before the measurement date. Compulsory transactions such as liquidation are not orderly transactions.

- Designated at fair value and changes included into the profits and losses for the period: Financial assets not measured at amortised cost or not designated at fair value and changes included into other comprehensive income are classified as financial assets designated at fair value and changes included into the profits and losses for the period. Such assets are subsequently designated at fair value and changes included into the profits and losses for the period.

Financial assets designated at fair value and changes included into the profits and losses for the period held by the Group include financial assets held for trading and financial assets recognised as financial assets designated at fair value and changes included into the profits and losses for the period for they are not qualified as financial assets measured at amortised cost or financial assets designated at fair value and changes included into other comprehensive income. These financial assets are included in "Financial assets held for trading" in the balance sheet. Interest on financial investments included in financial assets held for trading calculated based on coupon rate is recognised in "investment income".

Equity instruments

Equity instruments refer to the instruments that meet the definition of equity from the perspective of the issuer, that is, an instrument that does not contain contractual obligation to make a payment but is entitled to the net assets and residual income of the issuer, such as a common stock.

All equity instrument investments held by the Group are subsequently measured at fair value. The Group can elect to classify irrevocably its equity instrument investments which are not held for trading as equity investments designated at fair value through other comprehensive income. Only the relevant dividend income (except the dividend income that is clearly recovered as part of the investment cost) is included in the current profit and loss, and the subsequent changes in the fair value are included in other comprehensive income, without the need for provision of impairment. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into retained earnings for the period.

8.3 Classification and measurement of financial liabilities:

Financial liabilities held for trading

Financial liabilities held for trading refer to financial liabilities designated at fair value and changes included into the profits and losses for the period.

Such financial liabilities are measured at fair value and their gains or losses are recognised in profit or loss for the period. For financial liabilities designated at fair value and changes included into the profits and losses for the period, gains or losses should be recognised as follows:

- (i) For changes in fair value of the financial liabilities that arise from changes in the Group's own credit risk, the relevant amount should be recognised in other comprehensive income.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates(Continued)

8. Financial assets and liabilities(Continued)

8.3 Classification and measurement of financial liabilities(Continued)

(ii) Other changes in the fair value of the financial liabilities are recognised in profit or loss.

Where a financial liability designated at fair value and changes included into the profits and losses is derecognised, the accumulated gains or losses that are previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

A financial liability may be designated, on initial recognition, as at fair value included into profit or loss only when one of the following conditions is satisfied:

(i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise rise from measuring the assets or liabilities or recognising the gains or losses on them on a different basis.

(ii) As stated in formal written document with respect to risk management or investment strategy, the portfolio of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and the information is reported on that basis to the Group's key management personnel;

(iii) A hybrid instrument embedded with one or more derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is obviously inappropriate..

If a financial liability was designated as financial liability held for trading at initial recognition, it cannot be reclassified as other types of financial liabilities in subsequent periods; and other types of financial liabilities cannot be reclassified as financial liabilities held for trading, either.

Convertible corporate bonds

Convertible corporate bonds include the liability component and the equity component. Liability component represents the obligation to pay the fixed principal and interest and is classified as a liability with fair value calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. Equity component represents the embedded option to convert liability into ordinary share, which is recognised in the owners' equity based on the difference between the total income arising from issuance of the convertible corporate bond and its liability component. Direct transaction costs are allocated in proportion of the liability component and equity component to the proceeds of issuance.

On conversion of the corporate bonds into shares, the amount transferred to "Share capital" is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the book balance of the related components of the converted corporate bonds and the amount transferred to "Share capital" is recognised in "Capital reserve - Share premium".

Other financial liabilities

After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

8.4 Impairment of financial instruments

For debt instruments measured at amortised cost and those designated at fair value and changes included into other comprehensive income, as well as credit commitments (including bank acceptance notes, letters of guarantee issued, letters of credit issued and loan commitments), the Group assesses the expected credit losses by taking into account the forward-looking information. The Group recognises relevant impairment provision at each reporting date. The measurement of expected credit losses reflects the following factors:

(i) Unbiased probability weighted amount determined based on the assessment of a series of possible results;

(ii) Time value of money; and

(iii) Reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions and is available without undue cost or effort at the reporting date.

Provisions for credit losses on credit commitments are presented in provisions. However, for an instrument that includes both loans and unused commitments, and the expected credit losses of loans cannot be distinguished from that of unused commitments by the Group, the loss provisions for both loans and unused commitments should be presented in the loss provisions for loans. However, if the total loss provisions surpass the book balance of the loans, the loss provisions should be presented in the provisions.

For measurement method of expected credit losses, refer to Note VIII 1.2.

8.5 Modification of loan contracts

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the revised contractual terms. In making the assessment, factors need to be considered include:

(i) Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;

(ii) If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;

(iii) The loan term is significantly extended in the absence of financial difficulties for the borrower;

(iv) Material change happens to the loan interest rate;

(v) Change happens to the loan currency; and

(vi) New collaterals and other credit enhancements dramatically change the level of loan credit risk.

If there is a substantial change in the revised contractual terms, the Group will derecognise the original financial asset and recognise a new financial asset at fair value. Meanwhile, a new effective interest rate is recalculated for the new asset. In this case, when applying impairment requirements to the modified financial asset, including when determining whether there is a significant increase in credit risk, the aforesaid modification date of contract will be regarded as the initial recognition date. For the above newly recognised financial asset, the Group is required to assess whether the asset is credit impaired at initial recognition, especially when the modification of contract occurs when the borrower fails to fulfill the initially agreed payment arrangement. Any change in carrying amount is recognised as gains or losses arising from derecognition, and is included into profit or loss for the period.

If there is no substantial change in the revised contractual terms, the modification of contract will not lead to de-recognition of the financial asset. The Group will recalculate the book balance of the financial asset in accordance with the revised contractual cash flows, and include gains or losses arising from the modification into profit or loss for the period. When recalculating the book balance, the original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial asset) is adopted to discount the revised cash flows.

8.6 Derecognition other than modification of loan contracts

A financial asset or a part of a financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset have expired or been transferred, and (i) all the substantial risks and rewards of ownership of the financial

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

8. Financial assets and liabilities (Continued)

8.6 Derecognition other than modification of loan contracts (Continued)

asset have been transferred, or (ii) the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained no control over the financial asset.

In certain transactions, the Group retains the contractual rights to receive the cash flows, but bears the contractual obligation to transfer the received cash flows to the final payee, and has transferred all the substantial risks and rewards of ownership of the financial asset. In such case, the Group can derecognise the financial asset if the following conditions for transfer arrangement are met:

(i) The obligation to pay the received cash flows to the final payee only exists when equivalent cash flows are received from the financial asset;

(ii) Sale or mortgage of the financial asset is prohibited; and

(iii) The Group has obligation to transfer all cash flows received from the financial asset to the final payee as early as possible.

When the contractual rights to receive the cash flows from the financial asset have been transferred, and the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained control over the financial asset, the transferred asset shall be accounted for using the continuing involvement method, and is recognised based on the extent to which the asset is involved. Relevant liabilities are recognised accordingly to reflect the rights or obligations the Group has retained.

Based on the standard repurchase agreement and collaterals (shares or bonds) provided under securities margin trading, the Group will exercise the repurchase right at a predetermined price, and retain all the substantial risks and rewards of ownership of the collaterals, the requirements for derecognition therefore are not met.

9. Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the following amounts:

(i) Impairment provision calculated using the method in Note III 8.4;

(ii) Initially recognised amount net of revenue recognised under Accounting Standard for Business Enterprises No.14 - Revenue.

Credit commitments provided by the Group are measured at impairment provision calculated using the method in Note III 8.4.

The Group does not commit to granting loans at a price lower than the market interest rate nor settling loan commitments on a net basis by making cash payment or issuing other financial instruments.

10. Derivative financial instruments and hedging accounting

A derivative is a financial instrument, the value of which is derived from an index associated with another “underlying” financial instrument or the value of some other variables. Typically, an “underlying” financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses derivative financial instruments such as foreign exchange category, interest rate category, precious metal and other derivatives.

Derivative financial instruments are initially recognised at fair value on the date on which the Group becomes a contractual party of a derivative contract and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives, such as debt for equity swap in convertible corporate bonds and interest rate based interest payments embedded in structured deposits, are embedded into hybrid contracts. In the case of a hybrid contract whose host contract is a financial asset, it is classified and measured as a whole. In the case of a hybrid contract whose host contract is not a financial asset, the embedded derivatives are separated as independent derivatives if the following criterion are met:

(i) The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;

(ii) The instruments that have the same terms but exist independently meet the definition of derivatives; and

(iii) The hybrid instruments are not designated at fair value and changes included into the profits and losses for the period.

The Group can either designate the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or designate the hybrid contract whose host contract is not related to financial assets as at fair value and changes included into the profits and losses for the period.

The method for recognising changes in the fair value of a derivative financial instrument depends on whether the derivative financial instrument is designated as and meets the requirements for a hedging instrument, as well as the nature of the hedged item. The Group designates certain derivatives as cash flow hedging instruments for highly probable forecast transactions.

The Group completes the relevant hedging documentations at the inception of the hedges, including the relationship between the hedged items and the hedging instruments as well as the risk management objectives and strategy for each hedging transaction. At the inception of the hedges and in subsequently, the Group also continuously documents the assessments of the hedge effectiveness, i.e., whether the hedging instruments can effectively offset the changes in the cash flows of hedged items.

Cash flow hedging

For a derivative financial instrument designated as and meets the criteria as a cash flow hedging instrument, the portion of the fair value changes on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised as profit or loss.

The cumulative gain or loss recognised in equity is transferred to profit or loss in the period when the hedged item affects profit or loss, and recognised as income or expense of the hedged item.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity continues to remain in equity until the hedged item affects profit or loss when it is recognised in profit or loss. When the forecast transaction is no longer expected to occur (for example, the hedged assets previously recognised have been sold), the cumulative gain or loss recognised in other comprehensive income shall be immediately reclassified into profit or loss.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

11. Offsetting of financial instruments

Financial assets and liabilities are presented separately in the balance sheet and cannot be offset. However, the net amount after offset shall be presented in balance sheet if the following conditions are met:

- (i) The enterprise has the statutory right to offset the recognised amount, and the statutory right is executable;
- (ii) The enterprise plans a netting settlement, or meanwhile to sell the financial asset and pay off the financial liability.

When transferring the financial assets that not satisfying derecognition conditions, the transferor shall not offset the transferred financial assets and related liabilities.

12. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument shall be classified as equity instrument if the following conditions are met: (1) the financial instrument does not include delivery of cash or other financial assets to other parties or contractual obligations of exchanging financial assets or financial liabilities with other parties in potential adverse conditions; and (2) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative financial instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other equity instruments issued by the Group are recognised according to the actual consideration received less transaction expenses directly attributable to equity transactions.

Dividend distribution for other equity instruments in the duration is accounted for as profit distribution.

13. Long-term equity investments

Long-term equity investments comprise the Bank's long-term equity investments in its subsidiaries.

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are measured using the cost method in the company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements.

Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the share of the carrying amount of owners' equity of the absorbed party in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost is the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

Subsequent measurement and recognition of profit or loss

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss for the current period.

Under the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period with a corresponding adjustment of the cost of the long-term equity investment.

Under the equity method, the Group's share of net losses of the investee is recognized to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria for recognition of provisions are satisfied, the Group continues to recognise the loss amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from its net profit or loss, other comprehensive income and profit distribution is recognised in capital reserve with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the long-term equity investment is reduced by the Group's share of the profit distributions from or cash dividends declared by the investee. The Group's portion in the unrealised profits or losses arising from transactions between the Group and the investee is calculated by the proportion of the Group's equity interests in the investee and eliminated, before the Group recognises its investment gains or losses. With respect to the portion of losses from internal transactions between the Group and its investee that is attributable to asset impairment losses, its corresponding unrealised losses are not eliminated.

Basis for determining existence of control, joint control or significant influence over investees

Control is the power over an investee to obtain variable returns from its involvement with the investee, and the ability to use this power to influence the amount of the returns.

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and those sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts. Once an impairment loss of long-term equity investments is recognised, it shall not be reversed in a subsequent period.

14. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group are buildings that are leased out and the corresponding land use rights. Investment properties are recognised only when the related economic benefits are likely to flow into the Group and the costs can be reliably measured.

The investment properties are initially measured at cost and subsequently measured using the cost model. Depreciation of investment property is calculated using the straight-line method.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

14. Investment properties (Continued)

	Useful life	Estimated net residual value rates	Annual depreciation rate
Properties and buildings	15 to 35 years	1%-5%	2.7%-6.6%

15. Fixed assets and accumulated depreciation

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for property and equipment that meet the conditions are included in the cost of the property and equipment and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

The Group's fixed assets are initially measured at actual cost at the time of acquisition. Property and equipment are initially measured at cost. All property and equipment are stated at cost less any accumulated depreciation and any impairment provision. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Group reasonably determines the useful lives and estimated net residual values of the property and equipment according to the natures and use patterns of the property and equipment as follows:

	Useful life	Estimated net residual value ratio	Annual depreciation rate
Properties and buildings			
Including: Properties	15 to 35 years	1%-5%	2.7%-6.6%
Including: Owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5 to 8 years	3%-5%	11.9%-19.4%
Office and electronic equipment	3 to 10 years	1%-5%	9.5%-33.0%

The useful life and estimated net residual value of property and equipment and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

16. Construction in progress

The costs of construction in progress are determined based on the actual costs incurred, including various necessary construction costs and other related expenses during the construction period. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, or long-term prepaid expenses when completed and ready for use. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

17. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Group.

An intangible asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognised as an intangible asset and shall be measured at its fair value. The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortised over its useful life on the straight-line basis.

	Useful life	Annual depreciation rate
Software and others	3 to 40 years	2.5%-33%
Core deposits	20 years	5%

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Group, respectively. Expenditure on the research phase is recognised in profit or loss for the period in which it occurs. Expenditure on the development phase is capitalised only when the following conditions are satisfied:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) The Group intends to complete the intangible asset and use or sell it;

(iii) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not meet all of the above conditions is recognised in profit or loss in the period in which it is incurred.

Notes to the Financial Statements

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III. Significant accounting policies and accounting estimates (Continued)

18. Long-term prepaid expenses

Long term prepaid expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly including leasehold improvements.

Long term prepaid expenses are amortised evenly according to the shorter one of their beneficial periods and legal periods of validity.

When long term prepaid expenses no longer provide future economic benefits, the unamortised amount is recognised in profit or loss for the period.

19. Foreclosed assets

Foreclosed assets are initially recognised at fair value. At the balance sheet date, the foreclosed assets are measured at the lower of their carrying amount and the recoverable amount. When the recoverable amount is lower than the carrying amount, a provision for impairment of foreclosed assets is made and recognised in “impairment losses on other assets” in the income statement.

20. Impairment of assets

For assets excluding financial assets and debt-expiated assets, the Group assesses impairment of assets as follows:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment testing. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised in profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

For impairment test of goodwill, the carrying amount of goodwill acquired in a business combination shall be reasonably allocated since the acquisition date to related asset unit or to related combination if it cannot be allocated to the asset unit. Related asset portfolio or combination of asset portfolios is expected to benefit from the synergies of the combination, and shall not be larger than an reportable segments as defined by the Group.

When making an impairment test on the goodwill related asset portfolio or combination of asset portfolios, if there is an indication that the portfolio or combination may be impaired, the impairment test is firstly conducted for the asset portfolio or combination of asset portfolios unrelated to goodwill, with its recoverable amount calculated and the impairment loss recognised. Then the Group shall make an impairment test for the goodwill related asset portfolio or combination of asset portfolios by comparing the carrying amount with the recoverable amount. If the recoverable amount is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset portfolio or combination of asset portfolios, and then deducted from the carrying amount of other assets within the asset

portfolio or combinations of asset portfolios in proportion to the carrying amount of assets other than goodwill.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

21. Recognition of income and expense

Income is the total inflow of economic benefits arising from the ordinary activities of an enterprise that would result in an increase in owners' equity and that are unrelated to the capital invested by owners. Expense is the total outflow of economic benefits arising from the ordinary activities of the enterprise that would result in a decrease in owners' equity and that are unrelated to the distribution of profits to owners.

Interest income and interest expense

Interest income is calculated at the book balance of a financial asset multiplied by the effective interest rate, except for the following cases:

(i) For an originated or purchased credit-impaired financial asset, the interest income is calculated at the amortised cost of the asset multiplied by the credit-adjusted original effective interest rate.

(ii) For a financial asset that is not an originated or purchased credit-impaired financial asset, but subsequently suffers from credit impairment (or “stage 3”), the interest income is calculated at the amortised cost (i.e., net of the provision for impairment losses) multiplied by the effective interest rate.

The effective interest rate is the interest rate at which the estimated future cash inflow or outflow of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortised cost before deducting the provision for impairment losses) or the amortised cost of the financial liability. The calculation of effective interest rate takes into account all contractual terms of the financial instrument and includes all fees and transaction costs that are an integral part of the effective interest rate.

Fee and commission income

The Group earns fee and commission income from a diverse range of services provided to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services are be measured on accrual basis over that period of time. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing specific transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The award credits granted by the Group to the bank card holders under customer loyalty programmes are recognised at fair value as contract liabilities. When the award credits are redeemed or expired, the amount originally recognised as contract liabilities that is related to redeemed or expired credits is recognised in profit or loss for the period.

Dividend income

Dividends are recognised when the right to receive the dividends is established.

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(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

22. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss for the period, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss for the period, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

23. Income tax

Income tax includes current income tax and deferred income tax. Except for goodwill arising from a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss for the period as appropriate.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

The current income tax liabilities or assets for the current period or previous periods are measured at the amount expected to be paid or recoverable according to the requirements of tax law.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences between the carrying amount of an asset or liability on balance sheet date and the tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss;

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

For deductible temporary differences and unused deductible losses and tax credits that can be carried forward to subsequent years, the Group recognises the corresponding deferred income tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised. However, no deferred income tax asset arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss, is recognised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the carrying amount of a deferred income tax asset. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred income tax asset to be utilised. At the balance sheet date, unrecognised deferred income tax assets are reassessed and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are offset and presented as net amount if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

24. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and early retirement benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The short-term employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. In the reporting period, defined contribution plans include basic pensions insurance, enterprise pension fund, unemployment insurance, etc..

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(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates (Continued)

24. Employee benefits (Continued)

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the local labour and social security institutions are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

Early retirement benefits

For certain local employees, the Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss for the period in which they occur. There are no capital injections into the early retirement benefits. The cost of benefits is determined by using the projected unit credit actuarial valuation method.

25. Cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash equivalents comprise investments that have a short maturity of generally within three months since acquired, the unrestricted balance with the Central Bank, and deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements that have a short original maturity of generally within three months.

26. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

27. Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the

management of the entrusted loans. The commission income is recognised averagely over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

28. Leases

Lease refers to the contract that the lessor obtains consideration through transferring asset use right to the lessee for a certain period of time.

As lessee

Right-of-use assets are recognised at the commencement date of the lease term and lease liabilities are recognised based on the present value of the lease payments payable. Lease payments include fixed payments and amounts payable under reasonable determination of the exercise of the option to purchase or termination of the option to lease. The variable rental determined based on a certain percentage of sales is not included in lease payments but recognised into the profits and losses for the period when incurred.

Right-of-use assets of the Group mainly consist of leased-in buildings and structures. Right-of-use assets of the Group comprise buildings under leases. Right-of-use assets are initially measured at cost. The cost includes the initially measured amount of lease liabilities, lease payments made at or before the commencement date and initial direct costs, net of the received lease incentives. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

For short-term lease with a lease term within 12 months and low-value asset lease with a lower value when a single leased asset is new, the right-of-use assets and lease liabilities are not recognised by the Group, and the relevant rental expenses are included into the profits and losses for the current period or the cost of relevant assets on a straight-line basis over each period during the lease term.

The Group shall account for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amounts of the right-of-use assets.

As lessor

Rental income from an operating lease is recognised in profit or loss for the current period on a straight-line basis over the lease term.

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III. Significant accounting policies and accounting estimates(Continued)

29. Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its ordinary activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

30. Contingent liability

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

31. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied except for contingent consideration and contingent liabilities assumed in the business combination:

- (i) the obligation is a present obligation of the Group;
- (ii) it is probable that an outflow of economic benefits from the Group will be required to fulfil the obligation;
- (iii) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

With regard to loss provisions for the Group's loan commitments and financial guarantee contracts, the expected credit losses are assessed taking into account the forward-looking information. For the measurement of loss provisions for this regarding, please refer to Note III 8.4 and Note VIII 1.2.

32. Trade date accounting

All regular way purchases and sale of financial assets are recognised on the trade date, that is, the date on which the Group commits to purchasing or selling the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

33. Dividends

Dividends that are declared or approved for distribution after the balance sheet date are not recognised as liability of the balance sheet date, but disclosed as an event after the balance sheet date. Dividend payable is recognised as liability for the period when the dividend is approved.

34. Significant accounting judgements and accounting estimates

The preparation of the Group's financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, the result of the uncertainties of these estimates may cause a significant adjustment to the carrying amount of the assets or liabilities affected in the future.

(i) Classification of financial assets

Significant judgements involved in the Group's classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and management methods for such risks, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in timing or amount of the principal during the duration due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits; whether the repayment in advance reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Measurement of expected credit losses

For financial assets measured at amortised cost and designated at fair value and changes included into other comprehensive income, as well as credit commitments, the Group measures the impairment provision using the expected credit loss model that involves the establishment and regular review of key definitions, parameters and assumptions, such as estimates on future macroeconomic conditions and borrowers' credit behaviour (e.g., possibility and corresponding losses of customer default). The measurement of expected credit losses requires a lot of management's significant judgements and assumptions, such as:

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and accounting estimates(Continued)

34. Significant accounting judgements and accounting estimates(Continued)

(ii) Measurement of expected credit losses

- Dividing businesses with similar credit risk characteristic to the same portfolio, selecting the proper measurement model and determining the key parameters related to the measurement;
- Judgement criteria of significant increase in credit risk, default and credit impairment incurred;
- Forecasted economic indicators adopted in the forward-looking measurement, economic scenarios and parameters and assumptions affected by their weightings;
- Management's overlay adjustments for significant uncertainties not covered by the model;
- Future cash flows forecast for loans and advances to corporates and investment on debts in stage

Specific information for the above judgements and estimates is set out in Note VIII 1.2.

(iii) Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv) Judgement of control over structured entities

Where the Group acts as asset manager of structure entities, the Group makes judgement on whether it is the principal or an agent for the structure entities. In the case that the asset manager serves as the agent, it exercises decision-making power mainly on behalf of other parties (other investors in the structured entity) and thus has no control over the structured entity. In the case that the asset manager is considered to exercise decision-making power mainly on behalf of itself, it serves as the trustee and has control over the structured entity. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager's decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

For the unconsolidated structured entities that the Group has rights in or provides liquidity support to, disclosures are shown in Note IV 52.

(v) Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where practicable, the valuation techniques should make maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(vi) Impairment of goodwill

The Group performs impairment tests on goodwill annually and also when there is an indication of potential impairment. For the purpose of an impairment test, the goodwill is allocated to its corresponding cash-generating unit or a group of cash-generating units, whose recoverable amount is the higher of fair value less costs to sell and the present value of the expected future cash flows, and an appropriate discount rate is selected to calculate the present value of future cash flows.

(vii) Core deposits

The Group reviews the reasonableness of core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortise the core deposits over an appropriate remaining useful life.

35. Taxation

The main categories and rates of taxes applicable to the Group are set out as follows:

Category of tax	Basis of tax computation					Tax rate
Corporate income tax(Note)	Taxable income					25%
Value-added tax (VAT)	VAT payable					3% 5% 6% 9% 13%
City maintenance and construction tax	Amount of VAT paid					5%, 7%

Note: Pursuant to the *Circular on Corporate Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54), during the period from 1 January 2018 to 31 December 2020, newly purchased property and equipment except buildings with a unit price of no more than RMB5 million can be fully deducted against taxable income in a one-off manner as costs and expenses in the current period, instead of being depreciated over the years.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements

1.Cash and balances with the Central bank

	The Group and the Bank	
	31 December 2021	31 December 2020
Cash on hand	3,685	3,805
Statutory reserve with the Central Bank - RMB	211,417	210,218
Statutory reserve with the Central Bank - foreign currencies	10,127	7,020
Unrestricted balance with the Central Bank	84,028	61,973
Other deposits with the Central Bank - fiscal deposits	2,671	860
Subtotal	311,928	283,876
Add: Accrued interest	105	106
Total	312,033	283,982

Based on the related RMB and foreign currency deposits, the Group placed respective statutory reserves with the People's Bank of China in accordance with the requirements from the People's Bank of China. These reserve deposits were not available for use in the Group's daily operations. As at 31 December 2021, the RMB deposit reserve ratio was 8.0% (31 December 2020: 9.0%), and the foreign currency deposit reserve ratio was 9.0% (31 December 2020: 5.0%)

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the People's Bank of China according to the relevant regulations.

2.Deposits with banks and other financial institutions

Summarised by locations and types of counterparties

	The Group	
	31 December 2021	31 December 2020
Domestic banks	60,327	67,993
Other domestic financial institutions	3,151	5,853
Overseas banks	15,036	32,647
Subtotal	78,514	106,493
Add: Accrued interest	274	324
Less: Impairment provision (Note IV 19)	(573)	(643)
Total	78,215	106,174

	The Bank	
	31 December 2021	31 December 2020
Domestic banks	60,000	67,879
Other domestic financial institutions	3,151	5,853
Overseas banks	15,036	32,647
Subtotal	78,187	106,379
Add: Accrued interest	274	324
Less: Impairment provision (Note IV 19)	(571)	(643)
Total	77,890	106,060

3.Placements with and loans to banks and other financial institutions

Summarised by locations and types of counterparties

	The Group and the Bank	
	31 December 2021	31 December 2020
<u>Placements with and loans to banks and other financial institutions measured at amortised cost</u>		
Domestic banks	16,502	19,287
Other domestic financial institutions	24,121	5,021
Overseas banks	42,614	33,481
Subtotal	83,237	57,789
Add: Accrued interest	80	54
Less: Impairment provision (Note IV 19)	(72)	(70)
Subtotal	83,245	57,773
<u>Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income</u>		
Other domestic financial institutions	11,109	13,149
Add: Accrued interest	119	74
Subtotal	11,228	13,223
Total	94,473	70,996

As at 31 December 2021, the Group's and the Bank's the impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income amounted to RMB170 million (31 December 2020: RMB228 million). Refer to Note IV 19.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

4. Derivative financial instruments

At the balance sheet date, the derivative financial instruments held by the Group are as follows:

	The Group and the Bank						
	Notional amounts summarised by maturity date					Fair value	
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities
<u>31 December 2021</u>							
Non-hedging instruments							
Foreign exchange derivative:							
Foreign exchange forward and swap contracts and options	1,185,380	822,468	38,395	-	2,046,243	15,604	(15,085)
Interest rate derivatives:							
Interest rate swap and other interest rate derivatives	1,180,465	1,793,605	2,168,471	17,338	5,159,879	14,067	(13,228)
Precious metals derivatives	50,740	9,549	-	-	60,289	567	(2,779)
Total	2,416,585	2,625,622	2,206,866	17,338	7,266,411	30,238	(31,092)

	The Group and the Bank						
	Notional amounts summarised by maturity date					Fair value	
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities
<u>31 December 2020</u>							
Non-hedging instruments							
Foreign exchange derivatives:							
Foreign exchange forward and swap contracts and options	634,592	593,809	46,774	-	1,275,175	16,251	(16,691)
Interest rate derivative financial instruments:							
Interest rate swap and other interest rate derivatives	1,630,792	2,543,611	2,476,161	11,537	6,662,101	18,285	(17,761)
Precious metals derivatives	83,000	16,743	-	-	99,743	1,761	(7,032)
Hedging instruments							
Interest rate derivatives	300	3,139	25,790	1,750	30,979	310	(1)
Total	2,348,684	3,157,302	2,548,725	13,287	8,067,998	36,607	(41,485)

The nominal amount of a derivative only provides a basis for comparing the fair values of the on-balance sheet assets or liabilities, and does not represent the future cash flows involved or the current fair values. Therefore, it cannot reflect the credit risk or market risk that the Group is exposed to.

(a) Cash flow hedges

The Group uses interest rate swap to hedge against exposures to cash flow variability primarily from interest rate risks. The hedged items are interest-bearing liabilities. As at 31 December 2021, the Group's and the Bank's cash flow hedges have been fully terminated, and the accumulated net income of RMB209 million (after tax) included in other comprehensive income in prior years has been fully carried forward to the profit and loss in the current period.

For the year ended 31 December 2021, the Group's and the Bank's net gain of RMB72 million (after tax) from the cash flow hedging was recognised in other comprehensive income and the gains and losses arising from the ineffective portion of cash flow hedge were immaterial. Financial assets held under resale agreements

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

5.Financial assets held under resale agreements

(a)Summarised by the categories of counterparties

	The Group	
	31 December 2021	31 December 2020
Banks	5,000	39,385
Other financial institutions	1,388	55,936
Subtotal	6,388	95,321
Add: Accrued interest	1	12
Less: Impairment provision (Note IV 19)	(1)	(19)
Total	6,388	95,314

	The Bank	
	31 December 2021	31 December 2020
Banks	5,000	39,385
Other financial institutions	1,388	55,371
Subtotal	6,388	94,756
Add: Accrued interest	1	12
Less: Impairment provision (Note IV 19)	(1)	(19)
Total	6,388	94,749

(b)Summarised by collateral

	The Group	
	31 December 2021	31 December 2020
Bonds	6,388	95,321
Add: Accrued interest	1	12
Less: Impairment provision (Note IV 19)	(1)	(19)
Total	6,388	95,314

	The Bank	
	31 December 2021	31 December 2020
Bonds	6,388	94,756
Add: Accrued interest	1	12
Less: Impairment provision (Note IV 19)	(1)	(19)
Total	6,388	94,749

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6.Loans and advances to customers

6.1 Summarised by corporate and individual

	The Group and the Bank	
	31 December 2021	31 December 2020
<u>Loans and advances to customers measured at amortised cost</u>		
Loans and advances to corporates:		
Loans	905,073	859,270
Loans and advances to individuals:		
Mortgage loans and title deed-secured loans	654,870	528,384
Xinyidai	158,981	146,293
Auto financial loans	301,229	246,416
Credit card receivables	621,448	529,251
Others	173,793	154,596
Subtotal	1,910,321	1,604,940
Total loans and advances to customers measured at amortised cost	2,815,394	2,464,210
Add: Accrued interest	10,561	7,365
Less: Loans impairment provision (Note IV 6.6)	(89,256)	(62,821)
Total loans and advances to customers measured at amortised cost	2,736,699	2,408,754
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Loans and advances to corporates:		
Loans	93,401	89,454
Discounted bills	154,653	112,633
Total loans and advances to customers designated at fair value and changes included into other comprehensive income	248,054	202,087
Carrying amount of loans and advances to customers	2,984,753	2,610,841

As at 31 December 2021, there were RMB 2,841 million discounted bills (31 December 2020: RMB7,302 million) that had been pledged for agreements of borrowings from the Central Bank.

As at 31 December 2021, the Group and the Bank had no discounted bills that had been pledged for discounted sale of repurchase bills (31 December 2020: RMB5,081 million).

For the year ended 31 December 2021, the Group and the Bank disposed of and derecognised loans of RMB54,576 million (2020: RMB5,813 million) by transferring to third parties or credit asset securitisation and other ways.

As at 31 December 2021, the impairment provision of the Group and the Bank for loans and advances to customers designated at fair value and changes included into other comprehensive income amounted to RMB946 million (31 December 2020: RMB398 million). Refer to Note IV 6.6.

6.2 Summarised by industry

	The Group and the Bank	
	31 December 2021	31 December 2020
Agriculture, husbandry and fisheries	4,416	3,087
Mining	22,099	24,448
Manufacturing	157,027	145,939
Energy	26,037	20,856
Transportation, post and telecommunications	49,031	51,644
Wholesale and retail	103,784	74,257
Real estate	288,923	271,963
Social service, technology, culture and sanitary industries	212,943	166,000
Construction	48,073	42,568
Personal loans	1,910,321	1,604,940
Others	240,794	260,595
Total loans and advances to customers	3,063,448	2,666,297
Add: Accrued interest	10,561	7,365
Less: Loans impairment provision (Note IV 6.6)	(89,256)	(62,821)
Carrying amount of loans and advances to customers	2,984,753	2,610,841

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.3 Summarised by type of collateral held or other credit enhancements

	The Group and the Bank	
	31 December 2021	31 December 2020
Unsecured loans	1,258,615	1,101,090
Guaranteed loans	203,818	196,585
Loans secured by collateral	1,446,362	1,255,989
Including: Loans secured by collateral	1,154,938	983,796
Loans secured by monetary assets	291,424	272,193
Subtotal	2,908,795	2,553,664
Discounted bills	154,653	112,633
Total loans and advances to customers	3,063,448	2,666,297
Add: Accrued interest	10,561	7,365
Less: Loans impairment provision (Note IV 6.6)	(89,256)	(62,821)
Carrying amount of loans and advances to customers	2,984,753	2,610,841

6.4 Summarised by overdue loans (Excluding accrued interest)

	The Group and the Bank				
	31 December 2021				
	Overdue by 1 to 90 days (inclusive)	Overdue by 90 days to 1 year (inclusive)	Overdue by 1 to 3 years (inclusive)	Overdue by more than 3 years	Total
Unsecured loans	22,410	11,123	1,224	438	35,195
Guaranteed loans	1,920	853	196	266	3,235
Loans secured by collateral	10,485	8,317	261	10	19,073
Including: Loans secured by collateral	9,657	8,282	251	10	18,200
Loans secured by monetary assets	828	35	10	-	873
Total	34,815	20,293	1,681	714	57,503

	The Group and the Bank				
	31 December 2020				
	Overdue by 1 to 90 days (inclusive)	Overdue by 90 days to 1 year (inclusive)	Overdue by 1 to 3 years (inclusive)	Overdue by more than 3 years	Total
Unsecured loans	10,143	10,638	1,376	38	22,195
Guaranteed loans	671	1,335	1,020	185	3,211
Loans secured by collateral	8,697	6,090	2,668	191	17,646
Including: Loans secured by collateral	6,080	4,251	778	141	11,250
Loans secured by monetary assets	2,617	1,839	1,890	50	6,396
Total	19,511	18,063	5,064	414	43,052

Overdue loans refer to the loans with either principal or interest being overdue by one day or more. For the overdue loans presented above, loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

For loans repaid on an instalment basis, only the amount which is not repaid upon maturity (not the total amount of loans) is deemed overdue. As at 31 December 2021, there were RMB49,349 million loans (31 December 2020: RMB37,864 million) that had been deemed overdue according to this criterion.

6.5 Summarised by geographical region

	The Group and the Bank	
	31 December 2021	31 December 2020
Eastern Region	600,697	520,865
Southern Region	599,433	560,237
Western Region	280,433	244,223
Northern Region	451,643	403,723
Head Office	1,116,114	929,599
Overseas	15,128	7,650
Total loans and advances to customers	3,063,448	2,666,297
Add: Accrued interest	10,561	7,365
Less: Loans impairment provision (Note IV 6.6)	(89,256)	(62,821)
Carrying amount of loans and advances to customers	2,984,753	2,610,841

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.5 Summarised by geographical region (Continued)

Details of the above geographical regions:

Eastern Region: Region: Shanghai branch, Hangzhou branch, Yangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Huzhou branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Taizhou branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch, Hefei branch, Wuhu branch, Xuzhou branch, Nanchang branch, Yancheng branch, Putian branch, Zhenjiang branch, Fuyang branch, Ganzhou branch, Jiujiang branch;

Southern Region: Shenzhen branch, Shenzhen Qianhai branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch, Hengyang branch, Yueyang branch, Nanning branch, Sanya branch, Changde branch, Liuzhou branch, Shantou branch, Zhanjiang branch, Jiangmen branch;

Western Region: Chongqing branch, Chengdu branch, Deyang branch, Leshan branch, Mianyang branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Yichang branch, Xi'an branch, Xianyang branch, Guiyang branch, Chongqing Pilot Free Trade Zone branch, Zunyi branch;

Northern Region: Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Rizhao branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch, Tangshan branch, Zibo branch, Jining branch, Jinzhong branch, Langfang branch, Nanyang branch, Weihai branch, Hohhot branch, Kaifeng branch, Taian branch, Baoding branch, Urumchi branch, Anshan branch, Lanzhou branch, Cangzhou branch, Harbin branch, Qingdao Pilot Free Trade Zone branch, Yinchuan branch;

Head Office: The departments of Head Office including credit card department and auto consumer finance centre, etc.;

Overseas: Hong Kong branch.

6.6 Movements in impairment provision for loans

	The Group and the Bank	
	Year ended 31 December 2021	Year ended 31 December 2020
<u>Loans and advances to customers measured at amortised cost</u>		
Opening balance	62,821	69,560
Provision	58,859	43,203
Amounts written off and disposal for the current year (Note)	(48,084)	(62,598)
Recovery of loans and advances to customers in the current year written off previously	15,888	13,099
Decrease of loans and advances to customers due to rise in discount value	(109)	(260)
Other changes in the current year	(119)	(183)
Sub-total (Note IV 19)	89,256	62,821
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Opening balance	398	453
Provision/(Reversal) for the year	548	(55)
Sub-total (Note IV 19)	946	398
Total	90,202	63,219

Note: For the year ended 31 December 2021, the outstanding contract amount corresponding to the assets offset was RMB 40,418 million (2020: RMB59,360 million). The Group and the Bank still seek to fully recover the legally-owned creditor's rights.

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Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

7.Financial assets held for trading

	The Group	
	31 December 2021	31 December 2020
Bonds		
Governments	100,925	85,908
Policy banks	48,960	32,878
Banks and other financial institutions	80,283	60,323
Corporates	35,264	27,984
Funds	117,923	99,392
Asset management plans	2,013	2,174
Trust plans	1,448	1,103
Asset-backed securities	2,527	893
Equity investments	169	186
Others	191	429
Total	389,703	311,270

	The Bank	
	31 December 2021	31 December 2020
Bonds		
Governments	99,797	83,338
Policy banks	48,443	32,878
Banks and other financial institutions	80,283	60,323
Corporates	35,264	27,984
Funds	116,862	99,392
Asset management plans	2,013	2,174
Trust plans	1,448	1,103
Asset-backed securities	2,476	893
Equity investments	169	186
Others	191	429
Total	386,946	308,700

As at 31 December 2021, the Group and the Bank had no bonds in its bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2020: RMB40 million).

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

8. Investment on debts

	The Group	
	31 December 2021	31 December 2020
Bonds		
Governments	501,415	423,247
Policy banks	13,954	21,045
Banks and other financial institutions	9,120	21,816
Corporates	33,123	30,305
Asset management plans	60,277	60,197
Trust plans	88,616	47,409
Asset-backed securities and others	34,570	27,004
Sub-total	741,075	631,023
Add: Accrued interest	8,201	7,696
Less: Impairment provision (Note IV 19)	(11,110)	(5,100)
Total	738,166	633,619

	The Bank	
	31 December 2021	31 December 2020
Bonds		
Governments	501,415	423,247
Policy banks	13,954	21,045
Banks and other financial institutions	8,120	21,816
Corporates	33,123	30,305
Asset management plans	60,277	60,197
Trust plans	88,616	47,409
Asset-backed securities and others	34,570	27,004
Sub-total	740,075	631,023
Add: Accrued interest	8,174	7,696
Less: Impairment provision (Note IV 19)	(11,110)	(5,100)
Total	737,139	633,619

As at 31 December 2021, there were RMB49,993 million bond investments that had been pledged for repurchase agreements (31 December 2020: RMB33,207 million); there were RMB20,245 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2020: RMB14,263 million); and there were RMB117,729 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2020: RMB125,235 million).

9. Other investment on debts

	The Group	
	31 December 2021	31 December 2020
Bonds		
Governments	33,490	58,525
Central Bank	654	632
Policy banks	15,443	12,947
Banks and other financial institutions	44,589	36,213
Corporates	18,799	21,549
Asset-backed securities	12,407	20,602
Asset management plans	6,011	14,362
Trust plans	19,448	29,920
Sub-total	150,841	194,750
Add: Accrued interest	1,587	2,323
Total	152,428	197,073

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

9.Other investment on debts (Continued)

	The Bank	
	31 December 2021	31 December 2020
Bonds		
Governments	32,498	57,124
Central Bank	654	632
Policy banks	15,443	12,947
Banks and other financial institutions	44,589	36,213
Corporates	18,799	21,549
Asset-backed securities	12,407	20,602
Asset management plans	6,011	14,362
Trust plans	19,448	29,920
Sub-total	149,849	193,349
Add: Accrued interest	1,577	2,312
Total	151,426	195,661

As at 31 December 2021, there were 318 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2020: RMB26 million); and there were RMB41,491 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2020: RMB7,765 million).

	The Group			
	31 December 2021			
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	151,640	152,428	788	(1,083)

	The Bank			
	31 December 2021			
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	150,640	151,426	786	(1,083)

	The Group			
	31 December 2020			
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	197,716	197,073	(643)	(1,089)

	The Bank			
	31 December 2020			
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	196,312	195,661	(651)	(1,089)

Notes to the Financial Statements

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(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

10. Other equity investments

	The Group and the Bank	
	31 December 2021	31 December 2020
Listed equity	327	14
Unlisted equity	2,265	1,635
Total	2,592	1,649

	The Group and the Bank		
	31 December 2021		
	Cost	Fair value	Fair value changes charged to other comprehensive income
Listed equity	257	327	70
Unlisted equity	2,975	2,265	(710)
Total	3,232	2,592	(640)

	The Group and the Bank		
	31 December 2020		
	Cost	Fair value	Fair value changes charged to other comprehensive income
Listed equity	4	14	10
Unlisted equity	2,345	1,635	(710)
Total	2,349	1,649	(700)

11. Long-term equity investments

	The Bank	
	31 December 2021	31 December 2020
Subsidiaries	5,000	5,000
Less: Provision for impairment of long-term equity investments	-	-
Total	5,000	5,000

(a) Main subsidiaries of the Group

Name of subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding		Method of acquisition
				Direct	Indirect	
Ping An Wealth Management Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Asset management	100%	-	Established

On 19 August 2020, the Bank received the Approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd. (Yin Bao Jian Fu [2020] No. 513). The CBIRC approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, with a registered capital of RMB5,000 million.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

12. Investment properties

	The Group and the Bank	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Original cost:		
Balance at the beginning of the year	770	402
Transfer to property and equipment (Note IV 13)	(144)	(228)
Transfer from property and equipment (Note IV 13)	155	596
Balance at the end of the year	781	770
Accumulated depreciation:		
Balance at the beginning of the year	197	155
Provision in current year	23	23
Transfer to property and equipment (Note IV 13)	(28)	(16)
Transfer from property and equipment (Note IV 13)	31	35
Balance at the end of the year	223	197
Carrying amount		
Balance at the end of the year	558	573
Balance at the beginning of the year	573	247

As at 31 December 2021, the Group and the Bank had carrying amount RMB 1 million (31 December 2020: RMB1 million) of investment properties for which the corresponding registration certificates had not been obtained.

For the year ended 31 December 2021, the gross rental income earned from the investment properties amounted to RMB57 million (for the year ended 31 December 2020: RMB43 million). There was direct operating expense RMB 1 million incurred (for the year ended 31 December 2020: RMB1 million).

13. Property and equipment

	The Group			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2021	10,381	91	8,587	19,059
Increase in the current year	171	2	1,747	1,920
Transfer from investment properties (Note IV 12)	144	-	-	144
Transfer to investment properties (Note IV 12)	(155)	-	-	(155)
Transfer from construction in progress (Note IV 18d)	1,246	-	4	1,250
Decrease in the current year	(905)	(6)	(1,039)	(1,950)
31 December 2021	10,882	87	9,299	20,268
Accumulated depreciation:				
1 January 2021	3,451	69	4,644	8,164
Increase in the current year (Note IV 44)	469	7	1,297	1,773
Transfer from investment properties (Note IV 12)	28	-	-	28
Transfer to investment properties (Note IV 12)	(31)	-	-	(31)
Decrease in the current year	(791)	(5)	(845)	(1,641)
31 December 2021	3,126	71	5,096	8,293
Impairment provision:				
1 January 2021	2	-	-	2
Decrease in the current year	(1)	-	-	(1)
31 December 2021 (Note IV 19)	1	-	-	1
Carrying amount				
31 December 2021	7,755	16	4,203	11,974
1 January 2021	6,928	22	3,943	10,893

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

13. Property and equipment (Continued)

	The Bank			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2021	10,381	91	8,587	19,059
Increase in the current year	171	2	1,711	1,884
Transfer from investment properties (Note IV 12)	144	-	-	144
Transfer to investment properties (Note IV 12)	(155)	-	-	(155)
Transfer from construction in progress (Note IV 18d)	1,246	-	4	1,250
Decrease in the current year	(905)	(6)	(1,039)	(1,950)
31 December 2021	10,882	87	9,263	20,232
Accumulated depreciation:				
1 January 2021	3,451	69	4,644	8,164
Increase in the current year (Note IV 44)	469	7	1,288	1,764
Transfer from investment properties (Note IV 12)	28	-	-	28
Transfer to investment properties (Note IV 12)	(31)	-	-	(31)
Decrease in the current year	(791)	(5)	(845)	(1,641)
31 December 2021	3,126	71	5,087	8,284
Impairment provision:				
1 January 2021	2	-	-	2
Decrease in the current year	(1)	-	-	(1)
31 December 2021 (Note IV19)	1	-	-	1
Carrying amount				
31 December 2021	7,755	16	4,176	11,947
1 January 2021	6,928	22	3,943	10,893

	The Group and the Bank			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2020	10,887	92	7,605	18,584
Increase in the current year	55	1	1,780	1,836
Transfer from investment properties (Note IV 12)	228	-	-	228
Transfer to investment properties (Note IV 12)	(596)	-	-	(596)
Transfer from construction in progress (Note IV 18d)	27	-	12	39
Decrease in the current year	(220)	(2)	(810)	(1,032)
31 December 2020	10,381	91	8,587	19,059
Accumulated depreciation:				
1 January 2020	3,185	63	4,242	7,490
Increase in the current year (Note IV 44)	399	8	1,101	1,508
Transfer from investment properties (Note IV 12)	16	-	-	16
Transfer to investment properties (Note IV 12)	(35)	-	-	(35)
Decrease in the current year	(114)	(2)	(699)	(815)
31 December 2020	3,451	69	4,644	8,164
Impairment provision:				
1 January 2020	2	-	-	2
31 December 2020 (Note IV 19)	2	-	-	2
Carrying amount				
31 December 2020	6,928	22	3,943	10,893
1 January 2020	7,700	29	3,363	11,092

As at 31 December 2021, the original cost of RMB63 million and net book value of RMB16 million (31 December 2020: the original cost of RMB64 million and net book value of RMB19 million) of buildings were in use by the Group and the Bank without having the registration certificates of property.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

14. Leases contracts

(a) Recognized in the balance sheet

	The Group	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Original cost of right-of-use assets:		
Balance at the beginning of the year	11,381	9,776
Increase in the current year	2,343	2,588
Decrease in the current year	(1,543)	(983)
Balance at the end of the year	12,181	11,381
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	4,232	2,259
Increase in the current year (Note IV 44)	2,442	2,663
Decrease in the current year	(1,264)	(690)
Balance at the end of the year	5,410	4,232
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	6,771	7,149
Balance at the beginning of the year	7,149	7,517

	The Group	
	31 December 2021	31 December 2020
Lease liabilities	6,968	7,346

	The Bank	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Original cost of right-of-use assets:		
Balance at the beginning of the year	11,326	9,776
Increase in the current year	2,343	2,533
Decrease in the current year	(1,543)	(983)
Balance at the end of the year	12,126	11,326
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	4,229	2,259
Increase in the current year (Note IV 44)	2,418	2,660
Decrease in the current year	(1,264)	(690)
Balance at the end of the year	5,383	4,229
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	6,743	7,097
Balance at the beginning of the year	7,097	7,517

	The Bank	
	31 December 2021	31 December 2020
Lease liabilities	6,943	7,296

(b) As at 31 December 2021, lease payments related to lease contracts signed but unexecuted amounted to RMB182 million (31 December 2020: RMB84 million). As at 31 December 2021, lease payments related to lease contracts signed but unexecuted amounted to RMB173 million (31 December 2020: RMB84 million).

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

15.Intangible assets

	The Group and the Bank			
	Core deposit (Note)	Land use rights	Software and others	Total
Cost/valuation				
1 January 2021	5,757	-	5,520	11,277
Additions in the current year	-	2,727	146	2,873
Transfer from development expenditure	-	-	62	62
Decrease in the current year	-	-	(31)	(31)
31 December 2021	5,757	2,727	5,697	14,181
Amortisation				
1 January 2021	2,734	-	4,691	7,425
Amortisation in the current year (Note IV 44)	287	68	604	959
Decrease in the current year	-	-	(4)	(4)
31 December 2021	3,021	68	5,291	8,380
Carrying amount				
31 December 2021	2,736	2,659	406	5,801
1 January 2021	3,023	-	829	3,852

	The Group and the Bank			
	Core deposit (Note)	Land use rights	Software and others	Total
Cost/valuation				
1 January 2020	5,757	-	4,988	10,745
Additions in the current year	-	-	214	214
Transfer from development expenditure	-	-	362	362
Decrease in the current year	-	-	(44)	(44)
31 December 2020	5,757	-	5,520	11,277
Amortisation				
1 January 2020	2,447	-	3,937	6,384
Amortisation in the current year (Note IV 44)	287	-	772	1,059
Decrease in the current year	-	-	(18)	(18)
31 December 2020	2,734	-	4,691	7,425
Carrying amount				
31 December 2020	3,023	-	829	3,852
1 January 2020	3,310	-	1,051	4,361

Note: Core deposits were accounts that a financial institution expected to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflected the use of the deposits at a lower cost alternative source of funding.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

16. Goodwill

	The Group and the Bank				
	For the year ended 31 December 2021				
	1 January 2021	Increase in the current year	Decrease in the current year	31 December 2021	Allowances for impairment losses
Former Ping An Bank	7,568	-	-	7,568	-

	The Group and the Bank				
	For the year ended 31 December 2020				
	1 January 2020	Increase in the current year	Decrease in the current year	As at 31 December 2020	Allowances for impairment losses
Former Ping An Bank	7,568	-	-	7,568	-

Former Ping An Bank was acquired by the Group in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district, northern district and credit card centre cash-generating units for impairment test so as to compare the recoverable amount with the carrying amount of the cash-generating units. Those cash-generating units were consistent with the cash-generating units recognised at the acquisition date and during the impairment test of goodwill in prior years.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows were determined based on the expected cash flows from the 5 years' budget plan as approved by management. The cash flows beyond the 5 years' period were extrapolated based on the long-term average growth rates within the operating geographic locations and industries of the cash-generating units. The discount rate for future cash flow is 12.97% (31 December 2020: 11.56%).

According to the results of impairment tests, as at 31 December 2021, there was no indication that goodwill may be impaired (31 December 2020: not impaired).

17. Deferred income tax assets

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Group			
	31 December 2021		31 December 2020	
	Deductible/ (Taxable) Temporary differences	Deferred Income taxAssets/ (Liabilities)	Deductible/ (Taxable) Temporary differences	Deferred Income taxAssets/ (Liabilities)
<u>Deferred income tax assets</u>				
Asset Impairment Provision	156,244	39,061	150,204	37,551
Salaries and bonuses	6,764	1,691	6,292	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	40	10	1,220	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	1,160	290
Others	1,976	494	3,048	762
Sub-total	165,024	41,256	161,924	40,481
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(2,916)	(729)	(3,220)	(805)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(8)	(2)	-	-
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(124)	(31)	(8)	(2)
Others	(3,036)	(759)	(2,568)	(642)
Sub-total	(6,084)	(1,521)	(5,796)	(1,449)
Net book value	158,940	39,735	156,128	39,032

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Bank			
	31 December 2021		31 December 2020	
	Deductible/ (Taxable) Temporary differences	Deferred Income taxAssets/ (Liabilities)	Deductible/ (Taxable) Temporary differences	Deferred Income taxAssets/ (Liabilities)
<u>Deferred income tax assets</u>				
Asset Impairment Provision	156,240	39,060	150,204	37,551
Salaries and bonuses	6,672	1,668	6,292	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	40	10	1,220	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	1,160	290
Others	1,972	493	3,048	762
Sub-total	164,924	41,231	161,924	40,481
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(2,916)	(729)	(3,220)	(805)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(120)	(30)	-	-
Others	(3,012)	(753)	(2,568)	(642)
Sub-total	(6,048)	(1,512)	(5,788)	(1,447)
Net book value	158,876	39,719	156,136	39,034

	The Group			
	For the year ended 31 December 2021			
	1 January 2021	Recognised in profit or loss (Note IV 46)	Recognised in other comprehensive income (Note IV 47)	31 December 2021
<u>Deferred income tax assets</u>				
Asset Impairment Provision	37,551	1,631	(121)	39,061
Salaries and bonuses	1,573	118	-	1,691
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	305	(295)	-	10
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	290	-	(290)	-
Others	762	(268)	-	494
Sub-total	40,481	1,186	(411)	41,256
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(805)	76	-	(729)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	-	(2)	-	(2)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(2)	-	(29)	(31)
Others	(642)	(117)	-	(759)
Sub-total	(1,449)	(43)	(29)	(1,521)
Net book value	39,032	1,143	(440)	39,735

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

	The Bank			
	For the year ended 31 December 2021			
	1 January 2021	Recognised in profit or loss (Note IV 46)	Recognised in other comprehensive income (Note IV 47)	31 December 2021
<u>Deferred income tax assets</u>				
Asset Impairment Provision	37,551	1,630	(121)	39,060
Salaries and bonuses	1,573	95	-	1,668
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	305	(295)	-	10
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	290	-	(290)	-
Others	762	(269)	-	493
Sub-total	40,481	1,161	(411)	41,231
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(805)	76	-	(729)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	-	-	(30)	(30)
Others	(642)	(111)	-	(753)
Sub-total	(1,447)	(35)	(30)	(1,512)
Net book value	39,034	1,126	(441)	39,719

	The Group			
	For the year ended 31 December 2020			
	1 January 2020	Recognised in profit or loss (Note IV 46)	Recognised in other comprehensive income (Note IV 47)	31 December 2020
<u>Deferred income tax assets</u>				
Asset Impairment Provision	34,310	3,219	22	37,551
Salaries and bonuses	1,324	249	-	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	588	(283)	-	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	290	290
Others	100	662	-	762
Sub-total	36,322	3,847	312	40,481
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(879)	74	-	(805)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(309)	-	307	(2)
Others	(409)	(233)	-	(642)
Sub-total	(1,597)	(159)	307	(1,449)
Net book value	34,725	3,688	619	39,032

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

	The Bank			
	For the year ended 31 December 2020			
	1 January 2020	Recognised in profit or loss (Note IV 46)	Recognised in other comprehensive income (Note IV 47)	31 December 2020
<u>Deferred income tax assets</u>				
Asset Impairment Provision	34,310	3,219	22	37,551
Salaries and bonuses	1,324	249	-	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	588	(283)	-	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	290	290
Others	100	662	-	762
Sub-total	36,322	3,847	312	40,481
<u>Deferred tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(879)	74	-	(805)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(309)	-	309	-
Others	(409)	(233)	-	(642)
Sub-total	(1,597)	(159)	309	(1,447)
Net book value	34,725	3,688	621	39,034

18. Other assets

(a) Analysis by nature

	The Group	
	31 December 2021	31 December 2020
Prepayments and guarantee deposits (Note IV 18b)	1,779	1,867
Deposit of litigation fees	1,034	1,112
Fees receivable	3,351	2,422
Foreclosed assets (Note IV 18c)	2,334	3,689
Construction in progress (Note IV 18d)	728	1,345
Long-term prepaid expenses (Note IV 18e)	1,514	1,526
Settlement receivables	30,107	7,666
Development expenditure	269	109
Interest receivable	682	1,169
Others	3,340	2,084
Total other assets	45,138	22,989
Less: Impairment provision		
Foreclosed assets (Note IV 18c)	(1,895)	(1,271)
Others	(1,079)	(1,138)
Total impairment provision	(2,974)	(2,409)
Net value of other assets	42,164	20,580

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(a) Analysis by nature (Continued)

	The Bank	
	31 December 2021	31 December 2020
	Amount	Percentage
Prepayments and guarantee deposits (Note IV 18b)	1,771	1,859
Deposit of litigation fees	1,034	1,112
Fees receivable	3,237	2,408
Foreclosed assets (Note IV 18c)	2,334	3,689
Construction in progress (Note IV 18d)	728	1,345
Long-term prepaid expenses (Note IV 18e)	1,512	1,526
Settlement receivables	30,107	7,666
Development expenditure	269	109
Interest receivable	682	1,169
Others	3,339	2,084
Total other assets	45,013	22,967
Less: Impairment provision		
Foreclosed assets (Note IV 18c)	(1,895)	(1,271)
Others	(1,079)	(1,138)
Total impairment provision	(2,974)	(2,409)
Net value of other assets	42,039	20,558

(b) Prepayments and guarantee deposits

Summarised by ageing

	The Group			
	31 December 2021		31 December 2020	
	Amount	Percentage	Amount	Percentage
Less than 1 year	1,231	69.19%	1,398	74.87%
1 to 2 years	183	10.29%	125	6.70%
2 to 3 years	62	3.49%	125	6.70%
Over 3 years	303	17.03%	219	11.73%
Total	1,779	100.00%	1,867	100.00%

	The Bank			
	31 December 2021		31 December 2020	
	Amount	Percentage	Amount	Percentage
Less than 1 year	1,231	69.51%	1,390	74.78%
1 to 2 years	175	9.88%	125	6.72%
2 to 3 years	62	3.50%	125	6.72%
Over 3 years	303	17.11%	219	11.78%
Total	1,771	100.00%	1,859	100.00%

(c) Repossessed assets

	The Group and the Bank	
	31 December 2021	31 December 2020
	Amount	Percentage
Land, houses and buildings	2,333	3,573
Others	1	116
Sub-total	2,334	3,689
Less: Impairment provision (Note IV 19)	(1,895)	(1,271)
Net value of repossessed assets	439	2,418

In 2021, the Group and the Bank took possession of collateral held as a security with a carrying amount of RMB19 million (31 December 2020: RMB245 million). The collateral mainly comprised automobiles and jewelry and jade. In 2021, the Group and the Bank disposed debt assets of RMB1,374 million (in 2020: RMB1,451 million). The Group and the Bank planned to dispose of the repossessed assets through auctions, bidding or transfers in the subsequent years.

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(d) Construction in progress

	The Group	
	For the year ended 31 December 2021	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Opening balance	1,345	876
Increase in the current year	1,104	890
Transfer to property and equipment (Note IV 13)	(1,250)	(39)
Transfer to long-term prepaid expenses (Note IV 18e)	(471)	(382)
Closing balance	728	1,345

	The Bank	
	For the year ended 31 December 2021	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Opening balance	1,345	876
Increase in the current year	1,101	890
Transfer to property and equipment (Note IV 13)	(1,250)	(39)
Transfer to long-term prepaid expenses (Note IV 18e)	(468)	(382)
Closing balance	728	1,345

Construction in progress of the Group and the Bank is listed as follows:

	The Group and the Bank					
	Year ended 31 December 2021					
	Budget	Balance at 1 January 2021	Increase in the current year	Decrease in the current year	Balance at 31 December 2021	Percentage of engineering investment to budget
Changsha branch Xiangjiang financial centre	1,155	1,022	131	(1,153)	-	99.83%

	The Group and the Bank				
	Year ended 31 December 2020				
	Budget	Balance at 1 January 2020	Increase in the current year	Decrease in the current year	Balance at 31 December 2020
Changsha branch Xiangjiang financial centre	1,155	710	312	-	1,022
					88.48%

(e) Long-term prepaid expenses

	The Group	
	Year ended 31 December 2021	
	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	1,526	1,516
Increase in the current year	488	418
Transfer from construction in progress (Note IV 18d)	471	382
Amortisation in the current year	(704)	(630)
Other decreases in the current year	(267)	(160)
Closing balance	1,514	1,526

	The Bank	
	Year ended 31 December 2021	
	Year ended 31 December 2021	Year ended 31 December 2020
Opening balance	1,526	1,516
Increase in the current year	488	418
Transfer from construction in progress (Note IV 18d)	468	382
Amortisation in the current year	(703)	(630)
Other decreases in the current year	(267)	(160)
Closing balance	1,512	1,526

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19.Provision for asset impairments

	The Group								
	Year ended 31 December 2021								
	Note IV	1 January 2021	Provision/(Reversal) for the year (Note IV 45)	Write-off in the current year	Recovery of assets Credit assets offset	Transfer upon asset disposal in the current year	Change in loans due to rise In discount value	Other changes	31 December 2021
Impairment provision for deposits with banks and other financial institutions	2	643	(63)	-	-	-	-	(7)	573
Impairment provision for placements with and loans to banks and other financial institutions measured at amortised cost	3	70	4	-	-	-	-	(2)	72
Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	228	(58)	-	-	-	-	-	170
Impairment provision for financial assets held under resale agreements	5	19	(18)	-	-	-	-	-	1
Impairment provision of loans and advances to customers measured at amortised cost	6	62,821	58,859	(40,418)	15,888	(7,666)	(109)	(119)	89,256
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	398	548	-	-	-	-	-	946
Impairment provision for investment on debts	8	5,100	10,435	(7,219)	2,808	(2)	-	(12)	11,110
Impairment provision for other investment on debts	9	1,089	(38)	-	32	-	-	-	1,083
Provision for impairment of fixed assets	13	2	-	-	-	(1)	-	-	1
Impairment provision for foreclosed assets	18c	1,271	1,198	-	-	(574)	-	-	1,895
Impairment provision for others		1,488	(37)	(132)	11	-	-	-	1,330
Total		73,129	70,830	(47,769)	18,739	(8,243)	(109)	(140)	106,437

	The Bank								
	Year ended 31 December 2021								
	Note IV	1 January 2021	Provision/(Reversal) for the year (Note IV 45)	Write-off in the current year	Recovery of assets Credit assets offset	Transfer upon asset disposal in the current year	Change in loans due to rise In discount value	Other changes	31 December 2021
Impairment provision for deposits with banks and other financial institutions	2	643	(65)	-	-	-	-	(7)	571
Impairment provision for placements with and loans to banks and other financial institutions measured at amortised cost	3	70	4	-	-	-	-	(2)	72
Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	228	(58)	-	-	-	-	-	170
Impairment provision for financial assets held under resale agreements	5	19	(18)	-	-	-	-	-	1
Impairment provision of loans and advances to customers measured at amortised cost	6	62,821	58,859	(40,418)	15,888	(7,666)	(109)	(119)	89,256
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	398	548	-	-	-	-	-	946
Impairment provision for investment on debts	8	5,100	10,435	(7,219)	2,808	(2)	-	(12)	11,110
Impairment provision for other investment on debts	9	1,089	(38)	-	32	-	-	-	1,083
Provision for impairment of fixed assets	13	2	-	-	-	(1)	-	-	1
Impairment provision for foreclosed assets	18c	1,271	1,198	-	-	(574)	-	-	1,895
Impairment provision for others		1,488	(37)	(132)	11	-	-	-	1,330
Total		73,129	70,828	(47,769)	18,739	(8,243)	(109)	(140)	106,435

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19.Provision for asset impairments(Continued)

	The Group and the Bank								
	Year ended 31 December 2020								
	Note IV	1 January 2020	Provision/(Reversal) for the year (Note IV 45)	Write-off in the current year	Recovery of assets Credit assets offset	Transfer upon asset disposal in the current year	Change in loans due to rise in discount value	Other changes	31 December 2020
Impairment provision for deposits with banks and other financial institutions	2	869	(183)	(30)	-	-	-	(13)	643
Impairment provision for placements with and loans to banks and other financial institutions measured at amortised cost	3	180	(102)	-	-	-	-	(8)	70
Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	72	156	-	-	-	-	-	228
Impairment provision for financial assets held under resale agreements	5	52	(33)	-	-	-	-	-	19
Impairment provision of loans and advances to customers measured at amortised cost	6	69,560	43,203	(59,360)	13,099	(3,238)	(260)	(183)	62,821
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	453	(55)	-	-	-	-	-	398
Impairment provision for investment on debts	8	8,913	27,259	(30,861)	-	(187)	-	(24)	5,100
Impairment provision for other investment on debts	9	1,278	261	(450)	-	-	-	-	1,089
Provision for impairment of fixed assets	13	2	-	-	-	-	-	-	2
Impairment provision for foreclosed assets	18c	925	807	-	-	(461)	-	-	1,271
Impairment provision for others		1,831	(116)	(235)	10	-	-	(2)	1,488
Total		84,135	71,197	(90,936)	13,109	(3,886)	(260)	(230)	73,129

20.Borrowings from the Central bank

	The Group and the Bank	
	31 December 2021	31 December 2020
Medium-term borrowing facility	114,400	115,400
Selling repurchase bills to the Central Bank	2,876	7,430
Selling repurchase bills to the Central Bank	29,170	-
Others	128	-
Subtotal	146,574	122,830
Add: Accrued interest	1,588	1,757
Total	148,162	124,587

21.Deposits from banks and other financial institutions

	The Group	
	31 December 2021	31 December 2020
Domestic banks and other financial institutions	84,842	180,237
Other domestic financial institutions	255,277	287,032
Overseas banks and other financial institutions	3,015	177
Other overseas financial institutions	-	35
Subtotal	343,134	467,481
Add: Accrued interest	1,997	2,070
Total	345,131	469,551

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

21. Deposits from banks and other financial institutions (Continued)

	The Bank	
	31 December 2021	31 December 2020
Domestic banks and other financial institutions	84,842	180,237
Other domestic financial institutions	256,371	287,382
Overseas banks and other financial institutions	3,015	177
Other overseas financial institutions	-	35
Subtotal	344,228	467,831
Add: Accrued interest	1,997	2,070
Total	346,225	469,901

22. Placements from banks and other financial institutions

	The Group and the Bank	
	31 December 2021	31 December 2020
Domestic banks and other financial institutions	9,505	12,524
Overseas banks and other financial institutions	22,876	28,486
Subtotal	32,381	41,010
Add: Accrued interest	13	24
Total	32,394	41,034

23. Financial liabilities held for trading

	The Group and the Bank	
	31 December 2021	31 December 2020
Payables of short position of bonds	31,498	24,363
Payables of gold leases	11,923	7,142
Total	43,421	31,505

24. Financial assets sold under repurchase agreements

	The Group and the Bank	
	31 December 2021	31 December 2020
(a) Summarised by collateral type		
Bonds	47,700	30,099
Bills	-	5,183
Subtotal	47,700	35,282
Add: Accrued interest	3	4
Total	47,703	35,286

	The Group and the Bank	
	31 December 2021	31 December 2020
(b) Summarised by counterparty type		
Banks and other financial institutions	47,700	35,282
Add: Accrued interest	3	4
Total	47,703	35,286

Financial assets transferred as collateral under repurchase agreements are not derecognised.

As at 31 December 2021, the Group and the Bank had no financial assets sold under repurchase agreements as hedged items (31 December 2020: RMB30,103 million).

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

25. Due to customers

	The Group	
	31 December 2021	31 December 2020
Demand deposits		
Corporate customers	877,398	850,639
Individual customers	242,533	245,457
Subtotal	1,119,931	1,096,096
Time deposits		
Corporate customers	1,314,056	1,137,810
Individual customers	527,832	439,212
Subtotal	1,841,888	1,577,022
Add: Accrued interest	28,699	22,817
Total	2,990,518	2,695,935

	The Bank	
	31 December 2021	31 December 2020
Demand deposits		
Corporate customers	877,402	850,641
Individual customers	242,533	245,457
Subtotal	1,119,935	1,096,098
Time deposits		
Corporate customers	1,314,056	1,137,810
Individual customers	527,832	439,212
Subtotal	1,841,888	1,577,022
Add: Accrued interest	28,699	22,817
Total	2,990,522	2,695,937

26. Employee benefits payable

	The Group	
	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	18,003	16,885
Defined contribution plans and defined benefit plans payable (b)	91	73
Termination benefits payable	1	1
	18,095	16,959

	The Bank	
	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	17,775	16,772
Defined contribution plans and defined benefit plans payable (b)	90	73
Termination benefits payable	1	1
	17,866	16,846

(a) Short-term employee benefits payable

	The Group			
	Year ended 31 December 2021			
	1 January 2021	Increase in the current year	Paid in the current year	31 December 2021
Salaries, bonuses, allowances and subsidies	16,187	17,392	(16,104)	17,475
Staff welfare and other social insurance	585	1,468	(1,601)	452
Housing funds	-	981	(981)	-
Labour union and training expenses	113	478	(515)	76
Others	-	8	(8)	-
Total	16,885	20,327	(19,209)	18,003

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26.Employee benefits payable(Continued)

(a)Short-term employee benefits payable(Continued)

	The Bank			
	Year ended 31 December 2021			
	1 January 2021	Increase in the current year	Paid in the current year	31 December 2021
Salaries, bonuses, allowances and subsidies	16,075	17,112	(15,939)	17,248
Staff welfare and other social insurance	584	1,455	(1,588)	451
Housing funds	-	972	(972)	-
Labour union and training expenses	113	474	(511)	76
Others	-	8	(8)	-
Total	16,772	20,021	(19,018)	17,775

	The Group			
	Year ended 31 December 2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Salaries, bonuses, allowances and subsidies	13,466	17,349	(14,628)	16,187
Staff welfare and other social insurance	563	1,419	(1,397)	585
Housing funds	-	846	(846)	-
Labour union and training expenses	101	420	(408)	113
Others	-	19	(19)	-
Total	14,130	20,053	(17,298)	16,885

	The Bank			
	Year ended 31 December 2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Salaries, bonuses, allowances and subsidies	13,466	17,236	(14,627)	16,075
Staff welfare and other social insurance	563	1,417	(1,396)	584
Housing funds	-	846	(846)	-
Labour union and training expenses	101	420	(408)	113
Others	-	19	(19)	-
Total	14,130	19,938	(17,296)	16,772

(b)Defined contribution plans and defined benefit plans

	The Group			
	Year ended 31 December 2021			
	1 January 2021	Increase in the current year	Paid in the current year	31 December 2021
Defined contribution plan	31	1,366	(1,347)	50
Defined benefit plan	42	3	(4)	41
Total	73	1,369	(1,351)	91

	The Bank			
	Year ended 31 December 2021			
	1 January 2021	Increase in the current year	Paid in the current year	31 December 2021
Defined contribution plan	31	1,354	1,336	49
Defined benefit plan	42	3	(4)	41
Total	73	1,357	(1,340)	90

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26.Employee benefits payable(Continued)

(b)Defined contribution plans and defined benefit plans(Continued)

	The Group and the Bank			
	Year ended 31 December 2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Defined contribution plan	41	517	(527)	31
Defined benefit plan	46	-	(4)	42
Total	87	517	(531)	73

27.Taxes payable

	The Group	
	31 December 2021	31 December 2020
Corporate income tax payable	8,054	8,480
Value-added tax (VAT) payable	3,019	2,416
Additional taxes and surcharges payable	379	324
Others	233	224
Total	11,685	11,444

	The Bank	
	31 December 2021	31 December 2020
Corporate income tax payable	7,854	8,433
Value-added tax (VAT) payable	2,964	2,397
Additional taxes and surcharges payable	372	322
Others	228	224
Total	11,418	11,376

28.Debt securities issued

	The Group and the Bank	
	31 December 2021	31 December 2020
Debt securities issued		
Hybrid capital debt instrument (Note 1)	-	3,650
Financial bonds (Note 2)	49,998	64,990
Tier 2 capital bonds (Note 3)	59,982	39,986
Sub-total	109,980	108,626
Interbank certificates of deposit issued (Note 4)	711,635	501,371
Add: Accrued interest	2,319	1,868
Total	823,934	611,865

As at 31 December 2021 and 31 December 2020, the Group and the Bank did not have any defaults of principal, interest or other breaches with respect to debt securities issued.

Note 1: As approved by the PBOC and CBIRC, the Bank issued a fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market on 29 April 2011. The debt instrument has 15 years to maturity with an annual interest rate of 7.50%. The Bank has the option to redeem the debt instrument at face value on 29 April 2021. As at April 2021, the Bank has redeemed the current bonds in full.

Note 2: As approved by the PBOC and CBIRC, the Bank issued a financial debt instrument amounting to RMB35 billion, RMB30 billion and RMB20 billion respectively in the inter-bank market on 14 December 2018, 26 May 2020 and 28 January 2021. The debt instruments have 3 years to maturity, with a fixed coupon rate of 3.79%, 2.30% and 3.45% respectively. As at December 2021, the Bank has the option to redeem the whole 2018 financial bonds; as at 31 December 2021 and 31 December 2020, the book balance of these bonds were RMB RMB29.999 billion and RMB 19.999 billion respectively.

Note 3: As approved by the PBOC and CBIRC, the Bank issued Tier 2 capital bonds in the inter-bank market with total amounts of RMB10 billion, RMB30 billion and RMB30 billion respectively on 8 April 2016, 25 April 2019 and 9 November 2021. The company has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rates are 3.85%, 4.55% and 3.69% respectively. In April 2021, the Bank has exercised the option to redeem the Tier 2 capital bonds issued in 2016 and redeemed the current bonds in full. As at 31 December 2021, the book balance of the Bank's Tier 2 capital bonds in 2019 and 2021 was RMB29,986 billion and RMB29,996 billion.

When the triggering event occurs, the Bank has the right to irrevocably fully write down the principals of bonds and other tier one capital tools issued in the current period, without the consent from bondholders, from the day following the triggering event. Any unpaid accumulated interest payable will no longer be paid. Once the principals of bonds are written down, the bonds are permanently cancelled, no longer be restored in any condition. The triggering event is the earlier of following: (i) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (ii) if no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by CBIRC.

Note 4: As at 31 December 2021, the original term of interbank certificates of deposit issued but unmatured was from 3 months to 1 year, and the annual interest rate was from 0.27% to 3.18% (31 December 2020: the original term was from 1 month to 1 year, and the annual interest rate was from 0.63% to 3.35%).

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

29.Provisions

	The Group and the Bank	
	31 December 2021	31 December 2020
Off-balance sheet provision for expected credit losses	3,908	925
Expected litigation losses	36	32
Other provisions	-	1
Total	3,944	958

30.Other liabilities

	The Group	
	31 December 2021	31 December 2020
Settlement & clearing and pending payables	6,024	4,294
Accrued and payable expenses	7,468	5,502
Inactive deposit account balances	96	116
Dividends payable (Note)	12	12
Amounts payable for custody	2,454	604
Contract liabilities	2,161	1,879
Quality warranties and deposits	373	466
Others	4,297	3,553
Total	22,885	16,426

	The Bank	
	31 December 2021	31 December 2020
Settlement & clearing and pending payables	6,024	4,294
Accrued and payable expenses	8,366	5,826
Inactive deposit account balances	96	116
Dividends payable (Note)	12	12
Amounts payable for custody	2,454	604
Contract liabilities	2,161	1,879
Quality warranties and deposits	373	466
Others	4,296	3,546
Total	23,782	16,743

Note 1: As at 31 December 2021 and 31 December 2020, the above-mentioned dividends payable of RMB12 million had been overdue for more than 1 year as the related shareholders had not collected the dividends.

31.Share capital

As at 31 December 2021, the number of the Group and the Bank's ordinary shares registered and fully paid was RMB19,405,918,198, with a par value of RMB1 per share. The nature and the structure of the share capital are as follows:

	The Group and the Bank					
	Year 2021 As at 1 January	Percentage	Movements in the year	Year 2021 As at 31 December	Percentage	
Share capital of ordinary shares	19,406	100%	-	19,406	100%	

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

32.Other equity instruments

	The Group and the Bank	
	31 December 2021	31 December 2020
Preference shares (Note 1)	19,953	19,953
Perpetual bonds (Note 2)	49,991	49,991
Total	69,944	69,944

Note 1:	Outstanding financial instruments	Dividend rate	Issuance price (RMB)	Number of shares issued (Million)	Amount of shares issued (In million)	Maturity or renewal	Conversion
	Preference shares	4.37%	100	200	20,000	No maturity date	No conversion during the period

On 7 March 2016, the Bank issued 200 million preference shares at par. The amount of RMB19,952.5 million was included in other equity instrument after deducting issuance costs. In the duration, in the case that relevant requirements are satisfied, the Bank has the option to redeem the whole or part of the preference shares on dividend payment day every year since the date of expiry of 5 years after the approval of CBIRC. The redemption right for the preference shares is entitled to the Bank after approval of the CBIRC. The nominal dividend rate of the preference shares is 4.37%, and the dividend is paid by cash at fixed rate annually.

As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. No profit will be distributed to ordinary shareholders unless the Bank decides to completely distribute the current dividends on preference shares. The preference shares are non-cumulative preference shares and the Bank has the option to cancel a portion or all of the dividend distribution. Preference shareholders shall not participate in the distribution of residual profits with ordinary shareholders. As approved by CBIRC, the existing preference shares issued by the Bank will be completely or partially converted to ordinary shares of the Bank when the following triggering events of mandatory conversion happen:

(1)Where the triggering events of other tier 1 capital instruments happen, namely when the core tier 1 capital adequacy ratio falls to 5.125% (or lower), the preference shares will be completely or partially converted to A shares at once as agreed in the contract to restore the core tier 1 capital adequacy ratio above the triggering point.

(2)Where the triggering events of tier 2 capital instruments happen, the preference shares will be mandatorily converted to ordinary shares of the Bank. If the triggering conditions for mandatory conversion are all met, the existing preference shares will be completely or partially converted to A shares at agreed conversion price after approval of the regulator. Since the issuing scheme for preference shares is approved by the Board of Directors, where such conditions as bonus shares (excluding the option of cash dividend distribution), transfer to paid-in capital, issuance of new shares (excluding transfer to paid-in capital from issuance of financial instruments (e.g., preference shares, convertible bonds, etc.) with the terms of being convertible to ordinary shares) and allotment of shares happen, the company will make accumulative adjustments for mandatory conversion price successively following the sequential order of the above conditions without consideration of ordinary share cash dividends.

The preference shares issued by the Bank are classified as equity instrument and presented in shareholders' equity in balance sheet. Based on relevant provisions of CBIRC, the preference shares meet all the criteria of qualified other tier 1 capital instruments.

Note 2: As approved by the PBOC and CBIRC, the Bank proposed to issue debt instruments totalling RMB50 billion with write-down features and without fixed terms by instalment in the national inter-bank market. On 19 December 2019, the Bank issued a debt instrument amounting to RMB20 billion with write-down features and without fixed terms in the national inter-bank market, and the issuance was completed on 26 December 2019. The par value per unit of the bonds was RMB100 and the coupon rate is 4.10% for the first 5 years, which shall be adjusted every 5 years. On 21 February 2020, the Bank issued a debt instrument amounting to RMB30 billion with write-down features and without fixed terms in the national inter-bank market, and the issuance was completed on 25 February 2020. The par value per unit of the bonds was RMB100 and the coupon rate is 3.85% for the first 5 years, which shall be adjusted every 5 years.

The Bank has the option to redeem the whole or part of such bonds on annual interest payment date 5 years after the issuance date, provided that prerequisite for redemption is met and such redemption is approved by the CBIRC. When the operation prohibited triggering event occurs, the Bank has the right to partially or fully write down the principals of the above existing bonds issued, which is not subject to the consent from bondholders. The above bonds are written down by the proportion of remaining par value to total remaining par value of other tier 1 capital instruments subject to the same triggering event. The operation prohibited triggering event is the earlier of following: (i) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (ii) if no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by relevant department. The written down part is irreversible. The principals of the bonds rank after depositors, general creditors and subordinated debts of higher ranks than bonds issued in the current period, but before shares held by shareholders when liquidated. bonds and other tier 1 capital instruments with the same liquidation ranks are liquidated in sequence. bonds and other tier 1 capital instruments with the same liquidation ranks are liquidated in sequence.

The Bank can dominate the bond interests cancelled for timely repayment of other debts. The Bank can dominate the bond interests cancelled for timely repayment of other debts. No interests shall be distributed to ordinary shareholders before the Bank decides to distribute interests in full amount to bondholders again.

After deduction of issuance expenses, the net amount of funds raised by above bonds will all be used to replenish other tier 1 capital and to improve capital adequacy ratio.

Changes in perpetual bonds:

	1 January 2021		Movements in the year		31 December 2021	
	Number of bonds	Carrying Amount	Number of bonds	Carrying Amount	Number of bonds	Carrying Amount
	Million	In RMB million	Million	In RMB million	Million	In RMB million
Issued amount of perpetual bonds	500	50,000	-	-	500	50,000
Issuance expenses	-	(9)	-	-	-	(9)
Total perpetual bonds	500	49,991	-	-	500	49,991

Equity attributable to holders of equity instrument is summarised as follows:

	The Group	
	31 December 2021	31 December 2020
Equity attributable to holders of ordinary shares	325,504	294,187
Equity attributable to holders of other equity	69,944	69,944
Total	395,448	364,131

	The Bank	
	31 December 2021	31 December 2020
Equity attributable to holders of ordinary shares	323,723	294,016
Equity attributable to holders of other equity	69,944	69,944
Total	393,667	363,960

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

33.Capital reserve

	The Group and the Bank	
	31 December 2021	31 December 2020
Share premium	80,816	80,816

34.Surplus reserve

In accordance with the Company Law, the Bank is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance exceeds 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses or be converted to paid-in capital. When converting the statutory surplus reserve to paid-in capital, new shares can be distributed to shareholders according to the original share proportion, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Bank may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings. As at 30 Dec 2021 and 31 December 2020, the amount of the surplus reserve represented the statutory surplus reserve.

35.General reserve

According to the relevant regulations of the Ministry of Finance, the Bank's general reserve balance shall be 1.5% of the ending balance of gross risk-bearing assets. The general reserve also includes the general reserve drawn by the Bank's subsidiaries in accordance with the applicable regulations of their industry or region.

36.Undistributed profits

According to a resolution at the meeting of the Board of Directors dated 9 March 2022, the Bank will appropriate RMB5,549 million to the general reserve based on net profit of 2021 audited by domestic certified public accountant. No appropriation was made to the statutory surplus reserve temporarily as the balance of statutory surplus reserve exceeds 50% of the registered capital. The above distribution is pending for the approval by the general meeting of shareholders.

At the meeting of the Board of Directors dated 8 April 2021, the Bank passed its profit appropriation resolution for the year of 2020. According to the profit appropriation plan, the Bank appropriated cash dividend of RMB3,493 million for 2020.

According to a resolution at the Board of Directors dated 1 February 2021, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2020 to 6 March 2021. The dividends date was 8 March 2021. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As at 3 February 2021, the Bank recognised the interest of perpetual bonds issued amounting to RMB1,155 million at the

initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the first tranche of capital bonds without fixed term in 2020. As at 26 December 2020, the Bank recognised the interest of perpetual bonds issued amounting to RMB820 million at interest period bond interest rate of 4.10% determined by the terms of the first tranche of capital bonds without fixed term in 2019.

37.Net Interest Income

	The Group	
	Year 2021	Year 2020
Interest income:		
Deposits with central banks	3,595	3,379
Due from transaction between financial enterprises	7,253	7,850
Loans and advances to customers	171,297	158,235
Financial investments	31,391	31,543
Sub-total	213,536	201,007
Interest expenses:		
Borrowings from central banks	3,664	3,745
Due from transaction between financial enterprises	10,604	11,495
Deposits from customers	57,027	56,170
Debt securities issued	21,905	15,909
Others	-	218
Sub-total	93,200	87,537
Net Interest Income	120,336	113,470

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

37.Net Interest Income(Continued)

	The Bank	
	Year 2021	Year 2020
Interest income:		
Deposits with central banks	3,595	3,379
Due from transaction between financial enterprises	7,227	7,838
Loans and advances to customers	171,297	158,235
Financial investments	31,315	31,540
Sub-total	213,434	200,992
Interest expenses:		
Borrowings from central banks	3,664	3,745
Due from transaction between financial enterprises	10,611	11,505
Deposits from customers	57,027	56,170
Debt securities issued	21,905	15,909
Others	-	218
Sub-total	93,207	87,547
Net Interest Income	120,227	113,445

38.Net fee and commission income

	The Group	
	Year 2021	Year 2020
Fee and commission income:		
Settlement fee income	2,973	2,692
Agency business fee income	8,575	9,426
Bank card fee income	19,540	18,955
Asset custody fee income	1,971	2,189
Others	7,131	6,214
Sub-total	40,190	39,476
Fee and commission expense	7,128	9,815
Net fee and commission income	33,062	29,661

	The Bank	
	Year 2021	Year 2020
Fee and commission income:		
Settlement fee income	2,973	2,692
Agency business fee income	8,575	9,426
Bank card fee income	19,540	18,955
Asset custody fee income	1,971	2,189
Others	6,855	6,201
Sub-total	39,914	39,463
Fee and commission expense	9,270	10,137
Net fee and commission income	30,644	29,326

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

39. Investment income

	The Group	
	Year 2021	Year 2020
Gains/(loss) on investments in precious metals	121	(209)
Net gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	866	34
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	1,884	1,411
Spread gains on loans and advances to customers measured at amortised cost Interest income, spread gains and dividend income from financial instruments held for trading	96	42
Interest income, spread gains and dividend income from financial instruments held for trading	9,710	7,859
Spread gains/(losses) on other investment on debts	(202)	389
Spread gains on investment on debts	-	579
Other losses	(232)	(184)
Total	12,243	9,921

	The Bank	
	Year 2021	Year 2020
Gains/(loss) on investments in precious metals	121	(209)
Net gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	866	34
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	1,884	1,411
Spread gains on loans and advances to customers measured at amortised cost Interest income, spread gains and dividend income from financial instruments held for trading	96	42
Interest income, spread gains and dividend income from financial instruments held for trading	9,659	7,844
Spread gains/(losses) on other investment on debts	(215)	389
Spread gains on investment on debts	-	579
Other losses	(232)	(184)
Total	12,179	9,906

40. Profit or loss arising from changes in fair value

	The Group	
	Year 2021	Year 2020
Financial instruments held for trading	1,747	(1,143)
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	333	529
Total	2,080	(614)

	The Bank	
	Year 2021	Year 2020
Financial instruments held for trading	1,742	(1,145)
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	333	529
Total	2,075	(616)

41. Exchange gains or loss

	The Group and the Bank	
	Year 2021	Year 2020
Loss from changes in fair value of foreign exchange derivative financial instruments	689	(1,771)
Other foreign exchange gains	631	2,533
Total	1,320	762

42. Other operating income

	The Group and the Bank	
	Year 2021	Year 2020
Rental income	95	106
Others	10	5
Total	105	111

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

43.Taxes and surcharges

	The Group	
	Year 2021	Year 2020
City maintenance and construction tax	835	793
Education surcharge	598	569
Others	211	163
Total	1,644	1,525

	The Bank	
	Year 2021	Year 2020
City maintenance and construction tax	826	792
Education surcharge	592	568
Others	210	162
Total	1,628	1,522

44.Operating and administrative expenses

	The Group	
	Year 2021	Year 2020
Staff expenses		
Salaries, bonuses, allowances and subsidies	17,392	17,349
Social insurance and staff welfare	2,837	1,936
Housing funds	981	846
Labour union and training expenses	478	420
Others	8	19
Sub-total	21,696	20,570
Depreciation of fixed assets (Note IV 13)	1,773	1,508
Amortisation of expenses of improvements to property and equipment held under operating leases	625	508
Amortisation of intangible assets (Note IV 15)	959	1,059
Depreciation expenses of right-of-use assets (Note IV 14)	2,442	2,663
Rental expenses	615	559
Sub-total	6,414	6,297
Business and administrative expenses	19,827	17,823
Total	47,937	44,690

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

44.Operating and administrative expenses (Continued)

	The Bank	
	Year 2021	Year 2020
Staff expenses		
Salaries, bonuses, allowances and subsidies	17,112	17,236
Social insurance and staff welfare	2,812	1,934
Housing funds	972	846
Labour union and training expenses	474	420
Others	8	19
Sub-total	21,378	20,455
Depreciation of fixed assets (Note IV 13)	1,764	1,508
Amortisation of expenses of improvements to property and equipment held under operating leases	624	508
Amortisation of intangible assets (Note IV 15)	959	1,059
Depreciation expenses of right-of-use assets (Note IV 14)	2,418	2,660
Rental expenses	611	558
Sub-total	6,376	6,293
Business and administrative expenses	19,644	17,782
Total	47,398	44,530

45.Credit impairment losses

	The Group	
	Year 2021	Year 2020
Impairment losses accrued/(reversed) in the current year:		
Deposits with banks and non-bank financial institutions	(63)	(183)
Placements with banks and non-banks financial institutions	(54)	54
Financial assets held under resale agreements	(18)	(33)
Loans and advances to customers	59,407	43,148
Investment on debts	10,435	27,259
Other investment on debts	(38)	261
Other Assets	(37)	(116)
Expected loss of credit commitment for off-balance-sheet items	2,987	(779)
Total	72,619	69,611

	The Bank	
	Year 2021	Year 2020
Impairment losses accrued/(reversed) in the current year:		
Deposits with banks and non-bank financial institutions	(65)	(183)
Placements with banks and non-banks financial institutions	(54)	54
Financial assets held under resale agreements	(18)	(33)
Loans and advances to customers	59,407	43,148
Investment on debts	10,435	27,259
Other investment on debts	(38)	261
Other Assets	(37)	(116)
Expected loss of credit commitment for off-balance-sheet items	2,987	(779)
Total	72,617	69,611

Notes to the Financial Statements

Year ended 31 December 2021
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

46. Income tax expense

	The Group	
	Year 2021	Year 2020
Current tax	10,686	11,514
Deferred tax (Note IV 17)	(1,143)	(3,688)
Total	9,543	7,826

	The Bank	
	Year 2021	Year 2020
Current tax	10,196	11,465
Deferred tax (Note IV 17)	(1,126)	(3,688)
Total	9,070	7,777

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Group and the Bank's effective income tax rate is as follows:

	The Group	
	Year 2021	Year 2020
Profit before tax	45,879	36,754
Income tax at the statutory tax rate of 25%	11,470	9,189
Tax-exempt income	(5,516)	(4,626)
Non-deductible expenses and other adjustments	3,589	3,263
Income tax expense	9,543	7,826

	The Bank	
	Year 2021	Year 2020
Profit before tax	43,791	36,540
Income tax at the statutory tax rate of 25%	10,948	9,135
Tax-exempt income	(5,469)	(4,621)
Non-deductible expenses and other adjustments	3,591	3,263
Income tax expense	9,070	7,777

47. Other comprehensive income

	The Group					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2021			
	31 December 2021	31 December 2020	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into \current profit or loss	Less: Income tax expenses (Note IV 17)	Others after tax Comprehensive income
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(479)	(524)	60	-	(15)	45
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	606	(513)	629	864	(374)	1,119
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,647	1,284	1,669	(1,185)	(121)	363
Cash flow hedging reserve	-	209	(279)	-	70	(209)
Exchange differences on translation of foreign currency financial statements	11	6	5	-	-	5
Total	1,785	462	2,084	(321)	(440)	1,323

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income (Continued)

	The Bank					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2021			
	31 December 2021	31 December 2020	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into \current profit or loss	Less: Income tax expenses (Note IV 17)	Others after tax Comprehensive income
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(479)	(524)	60	-	(15)	45
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	605	(519)	628	871	(375)	1,124
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,647	1,284	1,669	(1,185)	(121)	363
Cash flow hedging reserve	-	209	(279)	-	70	(209)
Exchange differences on translation of foreign currency financial statements	11	6	5	-	-	5
Total	1,784	456	2,083	(314)	(441)	1,328

	The Group					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2020			
	31 December 2020	31 December 2019	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into \current profit or loss	Less: Income tax expenses (Note IV 17)	Others after tax Comprehensive income
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(524)	(48)	(635)	-	159	(476)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(513)	1,011	(1,321)	(711)	508	(1,524)
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,284	1,350	1,310	(1,398)	22	(66)
Cash flow hedging reserve	209	-	279	-	(70)	209
Exchange differences on translation of foreign currency financial statements	6	1	5	-	-	5
Total	462	2,314	(362)	(2,109)	619	(1,852)

Notes to the Financial Statements

Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income (Continued)

	The Bank					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement as at 31 December 2020			
	31 December 2020	31 December 2019	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into current profit or loss	Less: Income tax expenses (Note IV 17)	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(524)	(48)	(635)	-	159	(476)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(519)	1,011	(1,329)	(711)	510	(1,530)
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,284	1,350	1,310	(1,398)	22	(66)
Cash flow hedging reserve	209	-	279	-	(70)	209
Exchange differences on translation of foreign currency financial statements	6	1	5	-	-	5
Total	456	2,314	(370)	(2,109)	621	(1,858)

48. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the year. Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank after adjustment based on potential dilutive ordinary shares by the adjusted weighted average number of ordinary shares issued by the Bank during the year. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. On 31 December 2021, the triggering events of conversion did not occur and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation for 2021.

(a) Basic earnings per share are calculated as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net profit for the current year attributable to shareholders of the Bank	36,336	28,928
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(1,975)	(820)
Net profit for the current year attributable to ordinary shareholders of the Bank	33,487	27,234
Weighted average number of outstanding ordinary shares (million)	19,406	19,406
Basic earnings per share (RMB/share)	1.73	1.40

(b) Diluted earnings per share are calculated as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Net profit for the current year attributable to shareholders of the Bank	36,336	28,928
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(1,975)	(820)
Net profit for the current year attributable to ordinary shareholders of the Bank	33,487	27,234
Weighted average number of outstanding ordinary shares (million)	19,406	19,406
Weighted average number of outstanding ordinary shares of the period for calculating diluted earnings per share (million)	19,406	19,406
Diluted earnings per share (RMB/share)	1.73	1.40

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

49.Cash and cash equivalents

	The Group	
	31 December 2021	31 December 2020
Cash	3,685	3,805
Cash equivalents:		
Within three months before the original maturity date		
Deposits with banks and other financial institutions	61,293	73,122
Placements with and loans to banks and other financial institutions	69,851	43,390
Financial assets held under resale agreements	6,000	95,321
Unrestricted balance with the Central Bank	84,028	61,973
Bond investments (with maturity of less than three months since acquired)	365	1,339
Sub-total	221,537	275,145
Total	225,222	278,950

	The Bank	
	31 December 2021	31 December 2020
Cash	3,685	3,805
Cash equivalents:		
Within three months before the original maturity date		
Deposits with banks and other financial institutions	60,966	73,008
Placements with and loans to banks and other financial institutions	69,851	43,390
Financial assets held under resale agreements	6,000	94,756
Unrestricted balance with the Central Bank	84,028	61,973
Bond investments (with maturity of less than three months since acquired)	365	1,252
Sub-total	221,210	274,379
Total	224,895	278,184

50.Cash received relating to other operating activities

	The Group	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Precious metals business	10,552	20,176
Collection of amounts already written off	15,899	12,878
Cash receipts from disposal of foreclosed assets	856	1,072
Derivative financial instruments	1,179	34
Gain on trading of bills	1,800	1,058
Short position of bonds	6,966	2,854
Others	6,053	8,924
Total	43,305	46,996

	The Bank	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Precious metals business	10,552	20,176
Collection of amounts already written off	15,899	12,878
Cash receipts from disposal of foreclosed assets	856	1,072
Derivative financial instruments	1,179	34
Gain on trading of bills	1,800	1,058
Short position of bonds	6,966	2,854
Others	6,005	8,924
Total	43,257	46,996

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IV. Notes to key items in the financial statements (Continued)

51.Cash paid relating to other operating activities

	The Group	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Administrative expenses such as marketing and public relation expenses, rental expenses and others	39,233	23,657
Total	39,233	23,657

	The Bank	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Administrative expenses such as marketing and public relation expenses, rental expenses and others	39,069	23,633
Total	39,069	23,633

52.Structured entities

(a)Unconsolidated structured entities

(i)Unconsolidated structured entities managed by the Group

(1)Wealth management products

The unconsolidated structured entities managed by the Group are primarily non-principal-guaranteed wealth management products (hereafter referred to as the “WMPs”) issued and managed by the Group as an agency. On the basis of analyzing the potential target group of customers, the Group designs and sells the investment plan to the specific target customer group. The Group distributes the funds to related financial markets or products and distributes the investment income to the investors in accordance with contracts. As the manager of WMPs, the Group charges fees and commissions such as selling charges, fixed management fee, fluctuant management fee, etc. The Group considers that the variable return from the structured entities is not significant.

As at 31 December 2021, the total size of unconsolidated WMPs issued and managed by the Group amounted to RMB872,066 million (31 December 2020: RMB648,185 million).

As the manager of WMPs, the Group proactively manages the due date of assets and liabilities, and also the position and the proportion of the current assets in order to maximize the interest of investors. Temporary placements to WMPs are a commonly used way to manage liquidity risk. The placements are not specified in the contracts. The transaction price is set by referencing the market interest rate. As at 31 December 2021, the balance of placements mentioned above was nil (31 December 2020: Nil); as at 31 December 2021, interest income was nil (for the year ended 31 December 2020: RMB2 million).

(2)Asset-backed securitisations business

The other type of unconsolidated structured entity initiated and managed by the Group is the Special Purpose Trust (hereafter referred to as the “SPT”) established by the third party in order to facilitate the asset-backed securitisations business. The credit assets are transferred from the Group to the SPTs to issue asset-backed securities for financing. As at 31 December 2021, the unconsolidated SPTs managed by the Group amounted to RMB57,756 million (31 December 2020: RMB21,820 million). Performing as the loan service provider, the Group manages the loans in associate with the SPTs and charges fee and commissions.

The Group also holds part of all levels of the asset-backed securities in SPTs. The Group considers that the variable return from the structured entities is not significant. As at 31 December 2021, the maximum exposure of unconsolidated SPTs is asset-backed securities initiated by the SPTs and held by the Group, which are recognized in financial assets and the carrying amount of which amounts to RMB1,922 million (31 December 2020: RMB823 million). The carrying amount of these asset-backed securities approximates their fair value.

For the year ended 31 December 2021, the Group did not give financial support to any of these unconsolidated SPTs (for the year ended 31 December 2020: Nil).

For certain asset-backed securitisations, the Group may hold part of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. The assets are recognized on the balance sheet to the extent of the Group's continuing involvement, and the rest part shall be derecognised. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. As at 31 December 2021, the Group continued to recognize assets totalling to RMB1,487 million (31 December 2020: RMB730 million).

(ii)Unconsolidated structured entities invested by the Group

For the year ended 31 December 2021, the Group, for better investment return, invests in funds, trust plans, asset management plans and earning rights, asset-backed securities issued and managed by independent third parties and asset-backed securities from asset securitisation initiated by the Group and managed by independent third parties, etc. Trust plans and asset management plans the Group invests are issued and managed by non-banking financial institutions. Underlying assets in such plan mainly comprise corporate or financial institution loans, notes, deposit receipt and asset-backed securities. For the year ended 31 December 2021, the Group did not provide any liquidity support to those unconsolidated structured entities (for the year ended 31 December 2020: Nil).

As at 31 December 2021 and 31 December 2020, the carrying amount (including accrued interest) of and the Group's maximum exposure to these other unconsolidated structured entities was summarised in the table below:

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IV. Notes to key items in the financial statements (Continued)

52.Structured entities (Continued)

(a)Unconsolidated structured entities (Continued)

(ii)Unconsolidated structured entities invested by the Group (Continued)

	The Group		
	31 December 2021		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	117,923	117,923	Note
Trust plans	1,448	1,448	Note
Asset management plans	2,013	2,013	Note
Asset-backed securities	2,527	2,527	44,738
Sub-total	123,911	123,911	
Investment on debts			
Trust plans	89,178	89,178	Note
Asset management plans	61,041	61,041	Note
Asset-backed securities and others	34,864	34,864	328,937
Sub-total	185,083	185,083	
Other investment on debts			
Trust plans	19,502	19,502	Note
Asset management plans	6,101	6,101	Note
Asset-backed securities	12,462	12,462	167,736
Sub-total	38,065	38,065	
Total	347,059	347,059	

	The Group		
	31 December 2020		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	99,392	99,392	Note
Trust plans	1,103	1,103	Note
Asset management plans	2,174	2,174	Note
Asset-backed securities	893	893	15,153
Sub-total	103,562	103,562	
Investment on debts			
Trust plans	47,514	47,514	Note
Asset management plans	60,890	60,890	Note
Asset-backed securities and others	27,760	27,760	258,754
Sub-total	136,164	136,164	
Other investment on debts			
Trust plans	30,120	30,120	Note
Asset management plans	14,556	14,556	Note
Asset-backed securities	20,793	20,793	173,273
Sub-total	65,469	65,469	
Total	305,195	305,195	

The Group earns interest income, service fee income and investment income from its investments or providing services to structured entities

Note: The information of total size of the unconsolidated structured entities listed above is not readily available from the public

(b)Consolidated structured entities

Consolidated structured entities consist principally of principal-guaranteed WMPs that are issued and managed by the Group. As at 31 December 2021, the Group did not have consolidated structured entities (31 December 2020: RMB166 million).

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V. Operating segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and implements management on such basis. The Group mainly manages the operation by way of geographical segments and business segments. Geographically, the Group separately operates five reporting segments, Eastern Region, Southern Region, Western Region, Northern Region and Headquarters. And in business lines, the Group separately manages the production and operation of three reporting segments, wholesale banking business, retail banking business and other businesses. The operating segment information is shown in detail as follows:

Geographical operating segments

The geographical operating segments are identified as follows:

Eastern Region:	Shanghai branch, Hangzhou branch, Yangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Huzhou branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Taizhou branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch, Hefei branch, Wuhu branch, Xuzhou branch, Nanchang branch, Yancheng branch, Putian branch, Zhenjiang branch, Fuyang branch, Ganzhou branch, Jiujiang branch;
Southern Region:	Shenzhen branch, Shenzhen Qianhai branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch, Hengyang branch, Yueyang branch, Nanning branch, Sanya branch, Changde branch, Liuzhou branch, Shantou branch, Zhanjiang branch, Jiangmen branch;
Western Region:	Chongqing branch, Chengdu branch, Deyang branch, Leshan branch, Mianyang branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Yichang branch, Xi'an branch, Xianyang branch, Guiyang branch, Chongqing Pilot Free Trade Zone branch, Zunyi branch;
Northern Region:	Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Rizhao branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch, Tangshan branch, Zibo branch, Jining branch, Jinzhong branch, Langfang branch, Nanyang branch, Weihai branch, Hohhot branch, Kaifeng branch, Taian branch, Baoding branch, Urumchi branch, Anshan branch, Lanzhou branch, Cangzhou branch, Harbin branch, Qingdao Pilot Free Trade Zone branch, Yinchuan branch;
Headquarters:	The departments of Head Office including credit card department, capital operation department, financial institution department, asset management department, transaction banking department, auto consumer finance centre etc. and Ping An Wealth Management;
Overseas:	Hong Kong branch.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocations and performance assessment. When monitoring operating results of geographic regions, management mainly considers operating income, operating costs and operating profit.

<u>Year ended 31 December 2021</u>	<u>Eastern Region</u>	<u>Southern Region</u>	<u>Western Region</u>	<u>Northern Region</u>	<u>Headquarters</u>	<u>Overseas</u>	<u>Total</u>
Net interest income (1)	22,255	25,911	8,430	17,172	46,264	304	120,336
Net non-interest income (2)	3,279	4,370	778	2,478	37,874	268	49,047
Operating income	25,534	30,281	9,208	19,650	84,138	572	169,383
Operating expenses (3)	(7,618)	(8,041)	(2,942)	(6,404)	(24,360)	(216)	(49,581)
Including: Depreciation, amortisation and rental expenses	(1,162)	(1,053)	(506)	(1,030)	(2,637)	(26)	(6,414)
Impairment losses on credit and other assets	(8,106)	(17,318)	(5,215)	(7,234)	(35,757)	(187)	(73,817)
Net non-operating income / (expenses)	73	(86)	(2)	(13)	(78)	-	(106)
Segment profits	9,883	4,836	1,049	5,999	23,943	169	45,879
Income tax expenses							(9,543)
Net profit							36,336

<u>31 December 2021</u>	<u>Eastern Region</u>	<u>Southern Region</u>	<u>Western Region</u>	<u>Northern Region</u>	<u>Headquarters</u>	<u>Overseas</u>	<u>Offsetting</u>	<u>Total</u>
Total assets	1,072,811	1,173,467	285,701	696,359	2,910,907	45,265	(1,263,130)	4,921,380
Total liabilities	1,063,661	1,169,320	285,389	690,736	2,534,701	45,255	(1,263,130)	4,525,932

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

V. Operating segment information (Continued)

Geographical operating segments (Continued)

Year ended 31 December 2020	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Total
Net interest income (1)	18,801	23,519	7,987	14,729	48,336	98	113,470
Net non-interest income (2)	2,770	3,615	816	1,927	30,814	130	40,072
Operating income	21,571	27,134	8,803	16,656	79,150	228	153,542
Operating expenses (3)	(6,810)	(7,486)	(2,904)	(5,782)	(23,050)	(183)	(46,215)
Including: Depreciation, amortisation and rental expenses	(1,130)	(1,019)	(541)	(993)	(2,582)	(32)	(6,297)
Impairment losses on credit and other assets	(2,153)	(4,638)	(4,859)	(5,932)	(52,717)	(119)	(70,418)
Net non-operating income / (expenses)	7	(33)	(23)	(23)	(83)	-	(155)
Segment profits/(losses)	12,615	14,977	1,017	4,919	3,300	(74)	36,754
Income tax expenses							(7,826)
Net profit							28,928

31 December 2020	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Offsetting	Total
Total assets	959,280	1,098,926	258,022	616,773	2,643,044	21,151	(1,128,682)	4,468,514
Total liabilities	948,515	1,085,496	258,715	613,768	2,305,404	21,167	(1,128,682)	4,104,383

(1)Included exterior net interest income/expense and interior net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Business lines operating segments

In 2021, based on the management structure and policies, the business decisions, reporting and performance assessment should be in accordance with two main business lines - wholesale banking business and retail banking business and other business segments. The segments are set out as follows:

Wholesale banking business

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

Retail banking business

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

Others

The business line refers to the bond and money market investment in need of liquidity management. It refers to the collective management of equity investment as well as assets, liabilities, income that are not directly attributable to a segment.

Measurement of segment assets, liabilities, income and profit is based on the Group's accounting policies. Income tax is managed at the corporate level and would not be allocated to each operating segment. Segment income is mainly from interest income, and therefore interest income is presented in net amount. Net interest income, instead of interest income and interest expense, is used by the management.

Inter-segment transactions are mainly money transference. The terms of the transaction are set by period and by referencing the capital cost in the market, and are reflected in the performance of each branch. "Internal interest net income/expense" refers to the net interest income and expense from transfer pricing between operating segments, which will be presented in operation business of each branch after offsetting. In addition, "external interest net income/expense" refers to the interest income received from the third party or interest expense paid to the third party. The total amount of "external interest net income/expense" from every operating segment should be equal to the net interest income in the Group's income statement.

Segment revenue, profit, assets and liabilities include those directly attributable to a segment, and those allocated pro rata.

The Group thoroughly conducts internal funds transfer pricing, using term matching and re-pricing method to calculate the income and expense of an individual account (contract), in order to enhance gearing, reasonable pricing, and comprehensive evaluation of the Group's performance.

In accordance with the management requirements of the Group, the inclusive finance department was adjusted from the wholesale finance business line to the retail finance business line during the period, and some of the inclusive finance products were adjusted accordingly and the comparative data for the same period was adjusted.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

V. Operating segment information (Continued)

Business lines operating segments (Continued)

<u>Year ended 31 December 2021</u>	Wholesale banking business	Retail banking business	Others	Total
Net interest income (1)	35,016	75,903	9,417	120,336
Net non-interest income (2)	26,402	22,334	311	49,047
Operating income	61,418	98,237	9,728	169,383
Operating expenses (3)	(14,863)	(34,718)	-	(49,581)
Including: Depreciation, amortisation and rental expenses	(1,514)	(4,900)	-	(6,414)
Impairment losses on credit and other assets	(37,301)	(36,330)	(186)	(73,817)
Net non-operating expenses	(46)	(45)	(15)	(106)
Segment profits	9,208	27,144	9,527	45,879
Income tax expenses				(9,543)
Net profit				36,336

<u>31 December 2021</u>	Wholesale banking business	Retail banking business	Others	Total
Total assets	1,922,319	1,888,412	1,110,649	4,921,380
Total liabilities	3,302,468	790,588	432,876	4,525,932

(1)Included exterior net interest income/expense and interior net interest income/expense.

(2)Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income.

(3)Included taxes and surcharges, and business and administrative expenses.

<u>Year ended 31 December 2020</u>	Wholesale banking business	Retail banking business	Others	Total
Net interest income (1)	32,694	70,702	10,074	113,470
Net non-interest income/(expenses) (2)	21,120	19,905	(953)	40,072
Operating income	53,814	90,607	9,121	153,542
Operating expenses (3)	(14,778)	(31,437)	-	(46,215)
Including: Depreciation, amortisation and rental expenses	(1,820)	(4,477)	-	(6,297)
Impairment losses on credit and other assets	(34,666)	(35,827)	75	(70,418)
Net non-operating expenses	(24)	(59)	(72)	(155)
Segment profits	4,346	23,284	9,124	36,754
Income tax expenses				(7,826)
Net profit				28,928

<u>31 December 2020</u>	Wholesale banking business	Retail banking business	Others	Total
Total assets	1,827,156	1,589,213	1,052,145	4,468,514
Total liabilities	3,023,731	698,369	382,283	4,104,383

(1)Included exterior net interest income/expense and interior net interest income/expense.

(2)Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income.

(3)Included taxes and surcharges, and business and administrative expenses.

Information about a major customer

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue as for the year ended 31 December 2021 and 31 December 2020.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VI. Commitments and contingent liabilities

1.Capital commitments

	The Group and the Bank	
	31 December 2021	31 December 2020
Authorised but not contracted	5,529	3,087
Contracted but not provided	2,809	5,702
Total	8,338	8,789

2.Credit commitments

	The Group and the Bank	
	31 December 2021	31 December 2020
Bank acceptance bills	576,535	409,218
Letters of guarantee issued	99,697	82,860
Letters of credit issued	66,869	61,644
Subtotal	743,101	553,722
Unused limit of credit cards	818,628	689,305
Total	1,561,729	1,243,027
Credit risk weighted amounts of credit commitments	431,405	348,043

Financial guarantee contracts commit the Bank to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts. Provisions for expected credit losses of bank acceptance notes, letters of guarantee issued and letters of credit issued are presented in provisions. Provisions for expected credit losses of unused limit of credit cards are presented in impairment provision for loans and advances to customers.

As at 31 December 2021, the Group and the Bank had revocable loan commitments amounting to RMB3,442.1billion (31 December 2020: RMB2,818.5billion).

3.Fiduciary activities

Entrusted loans business

The Group and the Bank act as an agent and grant such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group and the Bank have been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The credit risk is not recognised on the balance sheet as it remains with the trustees. As at 31 December 2021 and 31 December 2020, the scale of entrusted loans and deposits is as follows:

	The Group and the Bank	
	31 December 2021	31 December 2020
Entrusted deposits	190,853	191,133
Entrusted loans	190,853	191,133

Entrusted funding and entrusted investments

The Group and the Bank's entrusted funding and entrusted investments are primarily unconsolidated non-principal guaranteed WMPs sold to enterprises or individuals. Details are set out in Note IV 52.

4.Contingencies

4.1 Outstanding proceedings

As at 31 December 2021, the total claimed amount of the litigation cases of which the Bank was the defendant was RMB805 million (31 December 2020: RMB1,957 million). These litigation cases are under legal proceedings. In the opinion of management, the Bank has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

4.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group and the Bank underwrite PRC voucher-type government bonds and savings bonds (electronic) and sell the bonds to the general public. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2021, the Group and the Bank have sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB1,139 million (31 December 2020: 1,250 million) and RMB 2,698 million (31 December 2020: RMB2,652 million) respectively, to the general public that the Group and the Bank have the obligation of early redemption. The MOF will not provide funding for the early redemption of these voucher-type government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2021 and 31 December 2020, there was no unexpired underwriting commitment of the government bonds.

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(All amounts in RMB million unless otherwise stated)

VII. Capital management

The primary objectives of the Group's capital management are to safeguard its continued and steady business growth, to ensure compliance with regulatory requirements and to maximise return on capital. The Group regularly reviews its capital position and the implementation of related capital management strategies across the Bank, and adopts active capital management to support the achievement of medium and long-term business objectives and continuously improve the efficiency of its capital employment. In response to changes in its economic environment and the nature of risks it is exposed to, the Group makes active adjustments to its capital structure. The Group reports the required capital adequacy information to the CBIRC on a quarterly basis.

The Group calculates capital adequacy ratio pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) promulgated by CBIRC in June 2012. As required and for this reporting period, the Group applies the risk-weighted method to measure its credit-risk-weighted assets, the standard method for its market-risk-weighted assets, and the basic indicator approach for its operational risk-weighted assets.

Pursuant to the Administrative Measures for the Capital Management of Commercial Banks (Provisional) issued by CBIRC, the regulatory capital positions of the Group on 31 December 2021 are shown below

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Core tier 1 capital adequacy ratio	(a)	8.60%	8.69%
Tier 1 capital adequacy ratio	(a)	10.56%	10.91%
Capital adequacy ratio	(a)	13.34%	13.29%
Core tier 1 capital			
Share capital		19,406	19,406
Capital reserve and investment revaluation reserve		80,816	80,816
Surplus reserves		10,781	10,781
General reserve		58,339	51,536
Unappropriated profit		154,377	131,186
Other comprehensive income		786	462
Deduction items from core tier 1 capital			
Goodwill	(b)	7,568	7,568
Other intangible assets (except land-use right)	(b)	2,729	3,204
Other net deferred income tax assets that rest on bank's future earnings		7,659	9,624
Other tier 1 capital		69,944	69,944
Tier 2 capital			
Tier 2 capital tool and surplus		59,986	43,202
Excessive loan impairment provision		39,365	31,830
Net core tier 1 capital	(c)	306,549	273,791
Net tier 1 capital	(c)	376,493	343,735
Net capital	(c)	475,844	418,767
Risk-weighted assets	(d)	3,566,465	3,151,764

(a)Core tier 1 capital adequacy ratio equals to net amount of core tier 1 capital over risk-weighted assets. Tier 1 capital adequacy ratio equals to net amount of tier 1 capital over risk-weighted assets. Capital adequacy ratio equals to net capital over risk-weighted assets.

(b)Goodwill and other intangible assets (excluding land use right) are the net amounts from deduction of the associated deferred income tax liability.

(c)Net amount of core tier 1 capital is core tier 1 capital minus exclusive items of core tier 1 capital. Net amount of tier 1 capital equals to tier 1 capital minus exclusive items of core tier 1 capital. Net amount of capital equals to total capital minus exclusive items of total capital.

(d)Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, and operating risk-weighted assets.

VIII. Risk disclosure

1.Credit risk

Credit risk is the risk of loss arising from that a party of the financial instrument fails to fulfil its obligations

The Bank have established relevant mechanism for unified credit management, and periodically monitors the limit and reviews the credit risk.

1.1Credit risk management

(i)Loans and advances to customers and credit commitments

The Bank has established a concentrated, vertical and individual comprehensive risk management framework and a "dispatched risk management, matrix and double-line reporting" risk management model. The Risk Management Committee of the Head Office is responsible for coordinating risk management of all levels. Professional departments such as the Risk Management Department, Corporate Credit Authorisation Department, Retail Risk Management Department, are responsible of credit management of the bank. The Risk Management Committee of the Head Office dispatch responsible leader for risk management or risk directors to branches and business units, who undertake credit management duties in their own institutions.

The Bank has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and personal loans comprise the processes of credit investigation, credit review, credit approval, disbursement and post management. In addition, the Bank has formulated relevant policies of credit underwriting, which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

Risks arising from credit commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

If the Bank, after executing all necessary procedures, still considers that it is not expected to recover the whole or part of the financial assets, they shall be write-off. Signs indicating that amounts are not expected to be recovered include: (1) the enforcement has been terminated, and (2) the Bank recovers the amounts by confiscating and disposing the collaterals but it is estimated that the value of the collaterals could not fully cover the principal and interest.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.1 Credit risk management (Continued)

(ii)Bonds

The Bank manages credit risk exposure of bonds and bills by setting restriction of investment size, issuer profile and rating and also post-investment management. Generally, corporate credit rating of issuer of overseas bonds is required to be equal to or higher than BBB- (by Standard & Poor's or equivalent rating agencies) when purchasing. Corporate credit rating of domestic bonds is required to be equal to or higher than AA (credit rating institutes shall obtain the admission by the Bank) when purchasing. With overall consideration taken into internal rating and external data, the Bank continues to conduct strict risk management on bond investment.

(iii)Non-bond investment on debts

Non-bond investment on debts include asset management plans and trust plans, etc. The Bank has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies, and grants credit facility to the repurchase parties of trust beneficial rights, and ultimate financing parties of directional asset management plans. Subsequent risk management is carried out on a regular basis.

(iv)Interbank transactions

Interbank transactions include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements by other banks, etc. The Bank reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions. Limits are placed for each individual bank or non-bank financial institution which has business relationships with the Bank.

1.2 Measurement of expected credit losses

The Group uses the “ECL model” to make impairment provision for debt-instrument financial assets measured at amortised cost and those designated at fair value and changes included into other comprehensive income, loan commitments and financial guarantee contracts.

For financial instruments included in the measurement of expected credit losses, the Group applies “three stages” impairment model to measure the loss allowance and recognise expected credit losses in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

Stage 1: Financial instruments with credit risk not increased significantly since initial recognition are classified to Stage 1.

Stage 2: Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2.

Stage 3: Financial instrument with credit impairment are classified to Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of expected credit losses on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of expected credit losses on the financial instrument within the lifetime.

Purchased or underlying financial assets that are impaired for which the credit impairment has been incurred refer to financial assets that are impaired at initial recognition. Impairment provision of these assets represent the expected credit losses over the whole duration period.

The Group tests financial assets for expected credit losses impairment using risk parameter model and discounted cash flow model. The risk parameter model is applicable to personal loan assets, and corporate loan assets and investment on debts classified as Stage 1 and Stage 2. The discounted cash flow model is applicable to corporate loan assets and investment on debts classified as Stage 3.

Expected credit losses are assessed by taking into account the forward-looking information, and complicated models and assumptions are used in measuring expected credit losses. These models and assumptions involve future macroeconomic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom). The Group uses judgements, assumptions and estimates in measuring the expected credit risk in accordance with the accounting standards, including:

- (a)Classification of similar credit risk portfolios
- (b)Parameters for measuring expected credit losses
- (c)Criteria for significant increase in credit risk and default definition
- (d)Definition of credit-impaired assets
- (e)Forward-looking information
- (f)Future cash flows forecast for loans and advances to corporates and investment on debts in stage 3

Parameters for measuring expected credit losses

Based on whether the credit risk has increased significantly and whether the credit impairment has occurred, the Group measures impairment provision for different assets by the 12-month or lifetime expected credit losses. Key parameters for measuring expected credit losses include default probability, default loss rate, default risk exposure and discount rate. Based on the internal rating system used in current risk management, the Group, in accordance with the accounting standards for financial instruments, establishes the default probability, default loss rate and default risk exposure model by taking into account the quantitative analysis of historical statistics (such as counterparty rating, guarantee method and collateral category, repayment method, etc.) and forward-looking information.

- Default probability refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime. The Group calculates default probability by combining historical default experience, which is calculated by adjusting the result of internal rating model or collective assessment, and forward-looking information to reflect the debtor's default probability under the current macroeconomic environment at a certain time point;
- Default loss rate refers to the Group's expectation of the extent of the losses caused by default risk exposure. Default loss rate varies with the type of the counterparty in the transaction, the measure and priority of recourse, and the accessibility of collaterals and other credit supports. The default loss rate is the percentage of the risk exposure loss in the event of default;
- Default risk exposure refers to the repayment due to the Group when default occurs.

The Group adopts internal credit risk rating to reflect the default probability assessment results of a single counterparty and adopt different internal rating models for different counterparties. The information about the borrower and specific information of the loan collected upon the application for loan will be included in rating model. The Group's rating system consists of 33 grades for non-default and one grade for default. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses, including the default probability, default loss rate and default risk exposure in terms of different maturities.

Criteria for significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition. The Group fully considers all the reasonable and supportable information on whether the credit risk has changed significantly, including forward-looking information. Main considerations include regulatory and business environment, internal and external credit rating, solvency, operation capacity, loan contract terms, repayment behaviour, etc. The Group, based on individual financial instruments or financial instrument groupings with similar credit risk characteristics, determines changes in the risk of default in the estimated lifetime of financial instruments by comparing the risk of default of financial instruments at the balance sheet date with that at the initial recognition.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Criteria for significant increase in credit risk (Continued)

The Group sets quantitative and qualitative criteria to judge whether the credit risk of financial instruments changes significantly since initial recognition, and the criteria include: overdue for more than 30 days, changes in default probability, changes in credit risk classification and other situations indicating significant changes in credit risk.

Definition of credit-impaired assets

Under the accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- Borrowings overdue for over 90 days after the contractual payment day
- Default of internal credit rating
- Concessions made by the lender to the borrower for economic or contractual reasons related to the financial difficulties of the borrower
- Significant financial difficulty of the borrower
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization
- The active market for financial assets disappears

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

Forward-looking information

Both the assessment of significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. The Group identifies key economic indicators that affect credit risks and expected credit losses of all asset portfolios based on historical data analysis, such as quarter-on-year growth rate of GDP, Consumer Price Index, and Purchasing Managers' Index, etc.

The Group evaluates and predicts the economic indicators at least annually, and provides best estimates and examines the evaluation results on a regular basis. For the year ended 31 December 2021, the Group adjusted the forecasting of forward-looking economic indicators using the statistical analysis with combination of expert judgement, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic scenarios and weights. Similar to other economic estimates, the expected economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that the forecasting reflects the Group's best estimate of possible outcomes. The above weighted credit loss is calculated by multiplying the expected credit loss under each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on default probability and default loss rate varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and default probability, default loss rate and default risk exposure. The Group annually reviews key parameters and assumptions used in the calculation of expected credit losses and makes necessary updates and adjustments according to the external economic development and changes in industrial and regional risks.

For the year ended 31 December 2021, the key macroeconomic assumptions used by the Group in macroeconomic scenarios included quarter-on-year growth rate of GDP, Consumer Price Index, and Purchasing Managers' Index. Among them:

Quarter-on-year growth rate of GDP: The average forecasting value under baseline scenario in 2022 is about 5.71%, with that under optimistic scenario increasing by 0.49 percentage point and that under pessimistic scenario decreasing by 0.52 percentage point; the average forecasting value under baseline scenario in 2023 is about 5.54%, with that under optimistic scenario increasing by 0.42 percentage point and that under pessimistic scenario decreasing by 0.37 percentage point;

Sensitivity analysis and management overlay

Expected credit losses are sensitive to parameters used in the model, macroeconomic variables of forward-looking estimates, weight probability of the three scenarios, and other factors considered in the expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2021, the weights of basis scenario of the Group and the Bank are slightly higher than the sum of the weights of non-basis scenario. If the weight of optimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment as at 31 December 2021 decreases by RMB 1.161 billion (31 December 2020: RMB741 million); if the weight of pessimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment increases by RMB 1.883 billion (31 December 2020: RMB1,327 million).

For the year ended 31 December 2021, for external policy environment, changes in the regulatory environment and regional risks not reflected by the model, the Group's management has also considered and therefore accrued loss provision, thereby further enhancing the risk compensation capacity.

The table below illustrates the changes in the carrying amount of the Group's major financial assets (including accrued interest):

The Group								
For the year ended 31 December 2021								
Changes in three stages								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/ (decrease) in the current year (Note)	Net transfer/ (reversal) from Stage 1 to Stage 2	Net transfer/ (reversal) from Stage 1 to Stage 3	Net transfer/ (reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	2,601,514	475,841	(79,567)	(2,000)	-	-	2,995,788
	Stage 2	37,233	(21,965)	79,567	-	(50,286)	-	44,549
	Stage 3	34,915	(13,111)	-	2,000	50,286	(40,418)	33,672
	Sub-total	2,673,662	440,765	-	-	-	(40,418)	3,074,009
Investment on debts	Stage 1	620,874	119,743	(10,317)	(5,220)	-	-	725,080
	Stage 2	9,404	(1,721)	10,317	-	(9,781)	-	8,219
	Stage 3	8,441	(246)	-	5,220	9,781	(7,219)	15,977
	Sub-total	638,719	117,776	-	-	-	(7,219)	749,276
Other investment on debts	Stage 1	194,977	(44,104)	(1,193)	-	-	-	149,680
	Stage 2	2,057	(540)	1,193	-	-	-	2,710
	Stage 3	39	(1)	-	-	-	-	38
	Sub-total	197,073	(44,645)	-	-	-	-	152,428

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of the Group's major financial assets (including accrued interest):

The Group								
For the year ended 31 December 2020								
Changes in three stages								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	2,232,416	442,425	(72,212)	(1,115)	-	-	2,601,514
	Stage 2	49,365	(30,425)	72,212	-	(53,919)	-	37,233
	Stage 3	47,128	(7,887)	-	1,115	53,919	(59,360)	34,915
	Sub-total	2,328,909	404,113	-	-	-	(59,360)	2,673,662
Investment on debts	Stage 1	644,891	(15,256)	(8,761)	-	-	-	620,874
	Stage 2	1,513	(870)	8,761	-	-	-	9,404
	Stage 3	18,799	20,503	-	-	-	(30,861)	8,441
	Sub-total	665,203	4,377	-	-	-	(30,861)	638,719
Other investment on debts	Stage 1	181,622	15,959	(2,604)	-	-	-	194,977
	Stage 2	100	(647)	2,604	-	-	-	2,057
	Stage 3	542	(53)	-	-	-	(450)	39
	Sub-total	182,264	15,259	-	-	-	(450)	197,073

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

The table below illustrates the changes in the carrying amount of the Bank's major financial assets (including accrued interest) (continued):

The Bank								
For the year ended 31 December 2021								
Changes in three stages								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	2,601,514	475,841	(79,567)	(2,000)	-	-	2,995,788
	Stage 2	37,233	(21,965)	79,567	-	(50,286)	-	44,549
	Stage 3	34,915	(13,111)	-	2,000	50,286	(40,418)	33,672
	Sub-total	2,673,662	440,765	-	-	-	(40,418)	3,074,009
Investment on debts	Stage 1	620,874	118,716	(10,317)	(5,220)	-	-	724,053
	Stage 2	9,404	(1,721)	10,317	-	(9,781)	-	8,219
	Stage 3	8,441	(246)	-	5,220	9,781	(7,219)	15,977
	Sub-total	638,719	116,749	-	-	-	(7,219)	748,249
Other investment on debts	Stage 1	193,565	(43,694)	(1,193)	-	-	-	148,678
	Stage 2	2,057	(540)	1,193	-	-	-	2,710
	Stage 3	39	(1)	-	-	-	-	38
	Sub-total	195,661	(44,235)	-	-	-	-	151,426

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Sensitivity analysis and management overlay(Continued)

The table below illustrates the changes in the carrying amount of the Bank's major financial assets (including accrued interest) (continued):

The Bank								
For the year ended 31 December 2020								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Changes in three stages			Write-off in the current year	Balance at the end of the year
				Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	2,232,416	442,425	(72,212)	(1,115)	-	-	2,601,514
	Stage 2	49,365	(30,425)	72,212	-	(53,919)	-	37,233
	Stage 3	47,128	(7,887)	-	1,115	53,919	(59,360)	34,915
	Sub-total	2,328,909	404,113	-	-	-	(59,360)	2,673,662
Investment on debts	Stage 1	644,891	(15,256)	(8,761)	-	-	-	620,874
	Stage 2	1,513	(870)	8,761	-	-	-	9,404
	Stage 3	18,799	20,503	-	-	-	(30,861)	8,441
	Sub-total	665,203	4,377	-	-	-	(30,861)	638,719
Other investment on debts	Stage 1	181,622	14,547	(2,604)	-	-	-	193,565
	Stage 2	100	(647)	2,604	-	-	-	2,057
	Stage 3	542	(53)	-	-	-	(450)	39
	Sub-total	182,264	13,847	-	-	-	(450)	195,661

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

The table below illustrates the changes in the balance of the impairment provision for major financial assets of the Group and the Bank:

The Group and the Bank									
For the year ended 31 December 2021									
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Changes in three stages			Write-off in the current year	Balance at the end of the year
					Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	31,718	18,662	7,077	(4,210)	38	-	-	53,285
	Stage 2	7,864	(1,220)	14,435	4,210	-	(15,201)	-	10,088
	Stage 3	23,637	912	27,535	-	(38)	15,201	(40,418)	26,829
	Sub-total	63,219	18,354	49,047	-	-	-	(40,418)	90,202
Investment on debts	Stage 1	1,756	1,092	188	(149)	(150)	-	-	2,737
	Stage 2	701	11	754	149	-	(738)	-	877
	Stage 3	2,643	835	10,349	-	150	738	(7,219)	7,496
	Sub-total	5,100	1,938	11,291	-	-	-	(7,219)	11,110
Other investment on debts	Stage 1	829	2	53	(26)	-	-	-	858
	Stage 2	221	(50)	(10)	26	-	-	-	187
	Stage 3	39	(1)	-	-	-	-	-	38
	Sub-total	1,089	(49)	43	-	-	-	-	1,083

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Sensitivity analysis and management overlay(Continued)

The table below illustrates the changes in the balance of the impairment provision for major financial assets of the Group and the Bank (continued):

The Group and the Bank									
For the year ended 31 December 2020									
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Changes in three stages			Write-off in the current year	Balance at the end of the year
					Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	30,408	10,194	(5,855)	(3,428)	399	-	-	31,718
	Stage 2	7,889	(2,029)	14,001	3,428	-	(15,425)	-	7,864
	Stage 3	31,716	(6,255)	42,510	-	(399)	15,425	(59,360)	23,637
	Sub-total	70,013	1,910	50,656	-	-	-	(59,360)	63,219
Investment on debts	Stage 1	1,299	763	(162)	(144)	-	-	-	1,756
	Stage 2	90	(70)	537	144	-	-	-	701
	Stage 3	7,524	18,991	6,989	-	-	-	(30,861)	2,643
	Sub-total	8,913	19,684	7,364	-	-	-	(30,861)	5,100
Other investment on debts	Stage 1	757	134	3	(65)	-	-	-	829
	Stage 2	1	(9)	164	65	-	-	-	221
	Stage 3	520	(266)	235	-	-	-	(450)	39
	Sub-total	1,278	(141)	402	-	-	-	(450)	1,089

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

1.3 Credit risk measurement

Credit risk exposure analysis

The Group conducts internal rating on the risk characteristics of assets based on the quality status of assets, and classifies the credit ratings of financial assets included in the measurement of expected credit losses into "low risk", "medium risk", "high risk" and "default" according to the internal rating yardstick. The credit ratings are only for internal credit risk management. "Low risk" means that an asset has high quality, and there is sufficient evidence to show that no default is expected to occur on the asset, or there is no sufficient reason to suspect that default is expected to occur on the asset; "medium risk" refers to factors that may adversely affect the quality of an asset, but there is no sufficient reason to suspect

that the asset is expected to default; "high risk" means that there are factors that have an obvious adverse effect on the quality of an asset, but no occurrence of default; the criterion for "default" is consistent with the definition of credit-impaired assets.

The table below provides an analysis on the credit risk rate of the loans and advances to customers and investment on debts included in the expected credit losses assessment. The carrying amount of financial assets below represents the Group's maximum credit risk exposure with these assets.

Loans and advances to customers

The Group and the Bank				
31 December 2021				
Credit rating	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,619,679	280	-	1,619,959
Medium risk	1,363,769	9,164	-	1,372,933
High risk	12,340	35,105	-	47,445
Default	-	-	33,672	33,672
Book balance	2,995,788	44,549	33,672	3,074,009
Impairment provision	(52,391)	(10,037)	(26,828)	(89,256)
Carrying amount	2,943,397	34,512	6,844	2,984,753

The Group and the Bank				
31 December 2020				
Credit rating	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,495,550	368	-	1,495,918
Medium risk	1,098,640	10,093	-	1,108,733
High risk	7,324	26,772	-	34,096
Default	-	-	34,915	34,915
Book balance	2,601,514	37,233	34,915	2,673,662
Impairment provision	(31,320)	(7,864)	(23,637)	(62,821)
Carrying amount	2,570,194	29,369	11,278	2,610,841

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Credit risk exposure analysis (Continued)

Investment on debts

Credit rating	The Group			
	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	664,600	-	-	664,600
Medium risk	60,480	3,289	-	63,769
High risk	-	4,930	-	4,930
Default	-	-	15,977	15,977
Book balance	725,080	8,219	15,977	749,276
Impairment provision	(2,737)	(877)	(7,496)	(11,110)
Carrying amount	722,343	7,342	8,481	738,166

Credit rating	The Bank			
	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	663,573	-	-	663,573
Medium risk	60,480	3,289	-	63,769
High risk	-	4,930	-	4,930
Default	-	-	15,977	15,977
Book balance	724,053	8,219	15,977	748,249
Impairment provision	(2,737)	(877)	(7,496)	(11,110)
Carrying amount	721,316	7,342	8,481	737,139

Credit rating	The Group and the Bank			
	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	541,868	1,150	-	543,018
Medium risk	79,006	54	-	79,060
High risk	-	8,200	-	8,200
Default	-	-	8,441	8,441
Book balance	620,874	9,404	8,441	638,719
Impairment provision	(1,756)	(701)	(2,643)	(5,100)
Carrying amount	619,118	8,703	5,798	633,619

Risk concentration of the maximum credit risk exposure

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note IV 6 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. The Group has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly in bills, beneficial right of trust, or securities;
- For corporate lending, mainly charges over real estate properties, inventories, shares or trade receivables;
- For personal loans, mainly in residential properties mortgages.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of impairment provision.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

	The Group				
	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balance with the Central Bank	308,348	-	-	-	308,348
Deposits with banks and other financial institutions	78,215	-	-	-	78,215
Placements with and loans to banks and other financial institutions	94,473	-	-	-	94,473
Financial assets held for trading (excluding equity investments)	-	-	-	389,534	389,534
Derivative financial assets	-	-	-	30,238	30,238
Financial assets held under resale agreements	6,388	-	-	-	6,388
Loans and advances to customers	2,943,397	34,512	6,844	-	2,984,753
Other investment on debts	149,680	2,710	38	-	152,428
Investment on debts	722,343	7,342	8,481	-	738,166
Other financial assets	38,354	-	-	-	38,354
Sub-total	4,341,198	44,564	15,363	419,772	4,820,897
Off-balance-sheet items					
Including: Bank acceptance notes	573,067	874	9	-	573,950
Letters of guarantee issued	98,497	7	-	-	98,504
Letters of credit issued	65,974	765	-	-	66,739
Unused limit of credit cards	818,019	519	90	-	818,628
Sub-total	1,555,557	2,165	99	-	1,557,821
Total	5,896,755	46,729	15,462	419,772	6,378,718

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision) (Continued):

	The Bank				
	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balance with the Central Bank	308,348	-	-	-	308,348
Deposits with banks and other financial institutions	77,890	-	-	-	77,890
Placements with and loans to banks and other financial institutions	94,473	-	-	-	94,473
Financial assets held for trading (excluding equity investments)	-	-	-	386,777	386,777
Derivative financial assets	-	-	-	30,238	30,238
Financial assets held under resale agreements	6,388	-	-	-	6,388
Loans and advances to customers	2,943,397	34,512	6,844	-	2,984,753
Other investment on debts	148,678	2,710	38	-	151,426
Investment on debts	721,316	7,342	8,481	-	737,139
Other financial assets	38,229	-	-	-	38,229
Subtotal	4,338,719	44,564	15,363	417,015	4,815,661
Off-balance-sheet items					
Including: Bank acceptance notes	573,067	874	9	-	573,950
Letters of guarantee issued	98,497	7	-	-	98,504
Letters of credit issued	65,974	765	-	-	66,739
Unused limit of credit cards	818,019	519	90	-	818,628
Sub-total	1,555,557	2,165	99	-	1,557,821
Total	5,894,276	46,729	15,462	417,015	6,373,482

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision) (Continued):

	The Group				
	31 December 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balance with the Central Bank	280,177	-	-	-	280,177
Deposits with banks and other financial institutions	106,174	-	-	-	106,174
Placements with and loans to banks and other financial institutions	70,996	-	-	-	70,996
Financial assets held for trading (excluding equity investments)	-	-	-	311,084	311,084
Derivative financial assets	-	-	-	36,607	36,607
Financial assets held under resale agreements	95,314	-	-	-	95,314
Loans and advances to customers	2,570,194	29,369	11,278	-	2,610,841
Other investment on debts	194,977	2,057	39	-	197,073
Investment on debts	619,118	8,703	5,798	-	633,619
Other financial assets	15,182	-	-	-	15,182
Subtotal	3,952,132	40,129	17,115	347,691	4,357,067
Off-balance-sheet items					
Including: Bank acceptance notes	406,956	1,339	421	-	408,716
Letters of guarantee issued	82,398	72	-	-	82,470
Letters of credit issued	61,280	237	94	-	61,611
Unused limit of credit cards	688,730	475	100	-	689,305
Sub-total	1,239,364	2,123	615	-	1,242,102
Total	5,191,496	42,252	17,730	347,691	5,599,169

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision) (Continued):

	The Bank				
	31 December 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balance with the Central Bank	280,177	-	-	-	280,177
Deposits with banks and other financial institutions	106,060	-	-	-	106,060
Placements with and loans to banks and other financial institutions	70,996	-	-	-	70,996
Financial assets held for trading (excluding equity investments)	-	-	-	308,514	308,514
Derivative financial assets	-	-	-	36,607	36,607
Financial assets held under resale agreements	94,749	-	-	-	94,749
Loans and advances to customers	2,570,194	29,369	11,278	-	2,610,841
Other investment on debts	193,565	2,057	39	-	195,661
Investment on debts	619,118	8,703	5,798	-	633,619
Other financial assets	15,160	-	-	-	15,160
Subtotal	3,950,019	40,129	17,115	345,121	4,352,384
Off-balance-sheet items					
Including: Bank acceptance notes	406,956	1,339	421	-	408,716
Letters of guarantee issued	82,398	72	-	-	82,470
Letters of credit issued	61,280	237	94	-	61,611
Unused limit of credit cards	688,730	475	100	-	689,305
Sub-total	1,239,364	2,123	615	-	1,242,102
Total	5,189,383	42,252	17,730	345,121	5,594,486

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

The Group closely monitors collateral related to credit-impaired financial assets, as the possibility is greater that the Group confiscates such collateral in order to lower the potential losses when compared with other collaterals. On 31 December 2021 and 31 December 2020, the Group and the Bank's credit-impaired financial assets and the value of the collateral held to lower the potential losses were set out as follows:

	The Group and the Bank			
	31 December 2021			
	Total exposure	Impairment provision (Note)	Carrying amount	Fair value of the collateral held
Credit-impaired assets				
Loans and advances to customers:				
Loans and advances to corporate	12,363	9,350	3,014	8,426
Loans and advances to individuals	21,309	17,479	3,830	14,382
Financial investments:				
Investment on debts	15,977	7,496	8,481	3,938
Other investment on debts	38	38	38	-
Total credit-impaired assets	49,687	34,363	15,363	26,746

	The Group and the Bank			
	31 December 2020			
	Total exposure	Impairment provision (Note)	Carrying amount	Fair value of the collateral held
Credit-impaired assets				
Loans and advances to customers:				
Loans and advances to corporate	16,923	9,215	7,708	12,179
Loans and advances to individuals	17,992	14,422	3,570	8,981
Financial investments:				
Investment on debts	8,441	2,643	5,798	3,574
Other investment on debts	39	39	39	-
Total credit-impaired assets	43,395	26,319	17,115	24,734

Note: As at 31 December 2021, an impairment provision, amounting to RMB1 million (31 December 2020: Nil), in the Group and the Bank's loans and advances to corporates was included in other comprehensive income. As at 31 December 2021, an impairment provision, amounting to RMB38 million (31 December 2020: RMB39 million), in the Group and the Bank's other investment on debts was included in other comprehensive income.

Restructured loans and advances to customers

Restructured loans and advances to customers refer to those loans with renegotiated contract provisions due to deteriorated financial performance or inability to scheduled repayment. The Group reaches agreement with the borrowers in consideration of their financial difficulty or makes concessions based on the court order. As at 31 December 2021, the restructured loans and advances to customers of the Group and the Bank amounted to RMB11,417 million (31 December 2020: RMB15,627 million).

2. Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient funds at reasonable cost and in a timely manner to pay debts as they fall due, meet other payment obligations and meet other funding requirements for normal business operations.

The Group and the Bank has established a comprehensive liquidity risk governance structure. The Boards assume the ultimate responsibility of liquidity risk management. The performance of Board of Directors and senior management is evaluated regularly by Board of Supervisors. Senior management assumes the responsibility for liquidity risk management, and the Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. Internal audit department is responsible for the internal auditing of liquidity risk and is responsible for the internal audit of liquidity risk management.

Liquidity risk has been paid great attention to by the Group and the Bank by constantly improving the liquidity risk management framework and management strategy. The Group and the Bank adequately identifies, accurately measures, continuously monitors and effectively controls liquidity risk, and monitors liquidity risk using various methods such as cash flow measurement and analysis and liquidity risk limit management. The Group and the Bank continuously optimizes its asset and liability structure, strengthens the management of liabilities and high-quality liquid assets, and maintains a balanced development of fund sources and fund utilization; conducts regular liquidity risk stress tests to cautiously assess potential liquidity risks; and continuously improves emergency plan to enhance liquidity risk emergency management capabilities. As at the end of the reporting period, each of the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC.

The Group and the Bank will continuously work on the improvement on the pertinence and flexibility of liquidity risk management to maintain the balanced development of capital sources and operations; meanwhile, continuously promote the structure optimisation of assets and liabilities, and strengthen the management of stable deposits and liquidation base.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2021, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group							
	31 December 2021							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central bank	90,489	-	-	-	-	-	221,544	312,033
Amounts due from other financial institutions (1)	49,020	73,447	33,434	23,735	-	-	-	179,636
Financial assets held for trading	3,744	2,195	6,363	101,375	136,919	43,025	119,488	413,109
Loans and advances to customers	19,644	316,755	427,826	897,113	1,024,437	827,108	-	3,512,883
Investments in debts	5,710	18,304	26,377	143,261	361,491	288,312	-	843,455
Other debt investments	-	3,711	7,098	33,316	98,431	24,314	-	166,870
Other equity instrument investments	-	-	-	-	-	-	2,592	2,592
Other financial assets	30,458	1,167	3,274	-	918	1,517	-	37,334
Total financial assets	199,065	415,579	504,372	1,198,800	1,622,196	1,184,276	343,624	5,467,912
Financial liabilities:								
Loans from the central bank	-	59,807	5,727	84,493	-	-	-	150,027
Amounts due to other financial institutions (2)	276,310	95,841	38,765	14,237	106	-	-	425,259
Financial liabilities held for trading	1,385	35,127	6,643	277	-	-	-	43,432
Due to customers	1,120,981	449,665	238,660	617,480	632,671	2,404	-	3,061,861
Debt securities issued	-	106,195	172,827	444,940	119,235	-	-	843,197
Lease liabilities	219	257	386	1,926	4,841	179	-	7,808
Other financial liabilities	15,802	12	65	3,358	-	1,487	-	20,724
Total financial liabilities	1,414,697	746,904	463,073	1,166,711	756,853	4,070	-	4,552,308
Net liquidity	(1,215,632)	(331,325)	41,299	32,089	865,343	1,180,206	343,624	915,604
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	(12)	(111)	(339)	(1,882)	4	-	(2,340)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	8,108	754,604	479,299	845,865	41,350	405	-	2,129,631
Cash outflows	(9,911)	(753,640)	(479,410)	(845,899)	(41,608)	(695)	-	(2,131,163)
	(1,803)	964	(111)	(34)	(258)	(290)	-	(1,532)

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

As at 31 December 2021, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Bank							
	31 December 2021							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central bank	90,489	-	-	-	-	-	221,544	312,033
Amounts due from other financial institutions (1)	48,695	73,447	33,434	23,735	-	-	-	179,311
Financial assets held for trading	3,744	2,195	6,363	101,280	135,712	42,435	118,425	410,154
Loans and advances to customers	19,644	316,755	427,826	897,113	1,024,437	827,108	-	3,512,883
Investments in debts	5,710	18,304	26,377	142,223	361,491	288,312	-	842,417
Other debt investments	-	3,711	7,094	32,695	98,033	24,314	-	165,847
Other equity instrument investments	-	-	-	-	-	-	2,592	2,592
Other financial assets	30,456	1,051	3,274	-	911	1,517	-	37,209
Total financial assets	198,738	415,463	504,368	1,197,046	1,620,584	1,183,686	342,561	5,462,446
Financial liabilities:								
Loans from the central bank	-	59,807	5,727	84,493	-	-	-	150,027
Amounts due to other financial institutions (2)	277,404	95,841	38,765	14,237	106	-	-	426,353
Financial liabilities held for trading	1,385	35,127	6,643	277	-	-	-	43,432
Due to customers	1,120,985	449,665	238,660	617,480	632,671	2,404	-	3,061,865
Debt securities issued	-	106,195	172,827	444,940	119,235	-	-	843,197
Lease liabilities	219	257	379	1,906	4,841	179	-	7,781
Other financial liabilities	16,777	-	-	3,357	-	1,487	-	21,621
Total financial liabilities	1,416,770	746,892	463,001	1,166,690	756,853	4,070	-	4,554,276
Net liquidity	(1,218,032)	(331,429)	41,367	30,356	863,731	1,179,616	342,561	908,170
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	(12)	(111)	(339)	(1,882)	4	-	(2,340)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	8,108	754,604	479,299	845,865	41,350	405	-	2,129,631
Cash outflows	(9,911)	(753,640)	(479,410)	(845,899)	(41,608)	(695)	-	(2,131,163)
	(1,803)	964	(111)	(34)	(258)	(290)	-	(1,532)

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2020, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group							
	31 December 2020							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	66,743	-	-	-	-	-	217,239	283,982
Amounts due from other financial institutions (1)	66,738	133,488	29,665	43,693	-	-	-	273,584
Financial assets held for trading	3,795	8,514	13,972	67,051	110,590	27,459	99,714	331,095
Loans and advances to customer	12,859	326,615	399,660	765,634	873,254	691,185	-	3,069,207
Investment on debts	15,613	11,263	21,581	96,058	357,995	222,568	-	725,078
Other investment on debt	-	5,494	8,230	44,884	125,236	34,293	-	218,137
Other investment on debts	-	-	-	-	-	-	1,649	1,649
Other financial assets	7,811	609	2,951	4	814	755	-	12,944
Total financial assets	173,559	485,983	476,059	1,017,324	1,467,889	976,260	318,602	4,915,676
Financial liabilities:								
Borrowings from the Central Bank	-	28,886	10,983	86,543	-	-	-	126,412
Amounts due to other financial institutions (2)	284,141	117,789	58,266	87,379	-	-	-	547,575
Financial liabilities held for trading	1,244	26,355	3,614	305	-	-	-	31,518
Deposits due to customers	973,084	494,219	269,346	441,032	556,705	27,639	-	2,762,025
Debt securities issued	-	64,910	159,443	335,412	65,458	-	-	625,223
Lease liabilities	224	263	388	1,933	5,019	348	-	8,175
Other financial liabilities	10,606	-	25	5,069	-	726	-	16,426
Total financial liabilities	1,269,299	732,422	502,065	957,673	627,182	28,713	-	4,117,354
Net liquidity	(1,095,740)	(246,439)	(26,006)	59,651	840,707	947,547	318,602	798,322
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	385	456	(145)	(1,354)	30	-	(628)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	14,811	414,763	289,402	626,930	48,922	3	-	1,394,831
Cash outflow	(20,378)	(416,780)	(289,194)	(627,707)	(48,854)	(9)	-	(1,402,922)
	(5,567)	(2,017)	208	(777)	68	(6)	-	(8,091)

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

As at 31 December 2020, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Bank							
	31 December 2020							
	Overdue/ On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	66,743	-	-	-	-	-	217,239	283,982
Amounts due from other financial institutions (1)	66,623	132,923	29,665	43,693	-	-	-	272,904
Financial assets held for trading	3,795	8,428	13,472	65,051	110,590	27,459	99,714	328,509
Loans and advances to customer	12,859	326,615	399,660	765,634	873,254	691,185	-	3,069,207
Investment on debts	15,613	11,263	21,581	96,058	357,995	222,568	-	725,078
Other investment on debt	-	5,494	8,230	44,846	123,978	34,080	-	216,628
Other investment on debts	-	-	-	-	-	-	1,649	1,649
Other financial assets	7,811	595	2,951	4	807	755	-	12,923
Total financial assets	173,444	485,318	475,559	1,015,286	1,466,624	976,047	318,602	4,910,880
Financial liabilities:								
Borrowings from the Central Bank	-	28,886	10,983	86,543	-	-	-	126,412
Amounts due to other financial institutions (2)	284,491	117,789	58,266	87,379	-	-	-	547,925
Financial liabilities held for trading	1,244	26,355	3,614	305	-	-	-	31,518
Deposits due to customers	973,086	494,219	269,346	441,032	556,705	27,639	-	2,762,027
Debt securities issued	-	64,910	159,443	335,412	65,458	-	-	625,223
Lease liabilities	224	263	381	1,913	4,992	348	-	8,121
Other financial liabilities	10,606	342	-	5,069	-	726	-	16,743
Total financial liabilities	1,269,651	732,764	502,033	957,653	627,155	28,713	-	4,117,969
Net liquidity	(1,096,207)	(247,446)	(26,474)	57,633	839,469	947,334	318,602	792,911
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	385	456	(145)	(1,354)	30	-	(628)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	14,811	414,763	289,402	626,930	48,922	3	-	1,394,831
Cash outflow	(20,378)	(416,780)	(289,194)	(627,707)	(48,854)	(9)	-	(1,402,922)
	(5,567)	(2,017)	208	(777)	68	(6)	-	(8,091)

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

Analysis of credit commitments by contractual expiry date of the Group and the Bank:

31 December 2021	The Group and the Bank						Total
	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Bank acceptance bills	74,166	135,531	366,838				576,535
Unused limit of credit cards	54	2,139	19,876	471,322	325,237		818,628
Letters of guarantee issued	8,830	6,809	37,934	45,767	357		99,697
Letters of credit issued	14,377	19,720	32,264	353	155		66,869
Total	97,427	164,199	456,912	517,442	325,749	-	1,561,729

31 December 2020	The Group and the Bank						Total
	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Bank acceptance bills	52,949	123,501	232,768	-	-	-	409,218
Unused limit of credit cards	32	2,794	16,427	371,997	298,055	-	689,305
Letters of guarantee issued	6,752	7,057	31,360	37,328	363	-	82,860
Letters of credit issued	7,707	22,515	30,765	586	71	-	61,644
Total	67,440	155,867	311,320	409,911	298,489	-	1,243,027

Management expects that not all of the commitments will be drawn before expiry of the commitments.

3. Market risk

The market risk faced by the Bank comes from transaction accounts and bank accounts and the principal market risks are interest rates risks and exchange rate risk. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Bank. The Board of Directors of the Bank is responsible for approving the basic system of market risk, while senior management and its subordinate committees specifically approve the credit limit on market risk, while conducting regular supervision on market risks. The risk management department undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk limit, monitoring daily operation of treasury business.

In the opinion of management, as the market risk of the Bank's trading business activities is not material, the Bank have not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1 Foreign exchange risk

The Bank's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance-sheet foreign exchange position arising from derivative transactions. The currency risk of the Bank mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Bank have set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

As at 31 December 2021, the Group and the Bank's foreign currency assets and liabilities summarised by currency are as follows:

	The Group and the Bank			
	31 December 2021			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash and balances with the Central bank	10,281	630	57	10,968
Amounts due from other financial institutions (1)	62,139	10,505	4,807	77,451
Financial assets held for trading and derivative financial assets	10,764	-	-	10,764
Loans and advances to customers	145,497	16,859	22,562	184,918
Investment on debts	30,006	320	938	31,264
Other investment on debts	24,443	1,048	-	25,491
Other equity instrument investment	14	-	-	14
Other assets	339	18	2	359
Total assets	283,483	29,380	28,366	341,229
Liabilities:				
Amounts due to other financial institutions (2)	26,746	194	3,552	30,492
Financial liabilities held for trading and derivative financial liabilities	856	-	-	856
Deposits due to customers	258,634	17,364	9,018	285,016
Debt securities issued	5,567	-	-	5,567
Other liabilities	1,845	121	24	1,990
Total liabilities	293,648	17,679	12,594	323,921
Net position of foreign currency (3)	(10,165)	11,701	15,772	17,308
Notional amount of derivative financial instruments	12,155	(12,061)	(16,184)	(16,090)
Total	1,990	(360)	(412)	1,218
Off-balance-sheet credit commitments	30,485	1,126	7,561	39,172

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Due to banks and other financial institutions and placements from banks and other financial Institutions include funds from selling repurchase financial assets.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

3.Market risk (Continued)

3.1 Foreign exchange risk (Continued)

As at 31 December 2020, the Group and the Bank's foreign currency assets and liabilities summarised by currency are as follows:

	The Group and the Bank			
	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash and balances with the Central bank	7,985	504	71	8,560
Amounts due from other financial institutions (1)	74,478	5,161	4,677	84,316
Financial assets held for trading and derivative financial assets	6,252	-	247	6,499
Loans and advances to customers	135,085	13,867	25,722	174,674
Investment on debts	25,219	642	1,115	26,976
Other investment on debts	14,949	371	-	15,320
Other equity instrument investment	15	-	-	15
Other assets	307	15	5	327
Total assets	264,290	20,560	31,837	316,687
Liabilities:				
Amounts due to other financial institutions (2)	20,034	2,771	18,863	41,668
Financial liabilities held for trading and derivative financial liabilities	185	-	-	185
Deposits due to customers	214,880	12,138	6,481	233,499
Debt securities issued	1,208	-	-	1,208
Other liabilities	210	61	27	298
Total liabilities	236,517	14,970	25,371	276,858
Net position of foreign currency (3)	27,773	5,590	6,466	39,829
Notional amount of derivative financial instruments	(19,765)	(5,873)	(5,106)	(30,744)
Total	8,008	(283)	1,360	9,085
Off-balance-sheet credit commitments	24,272	25	5,669	29,966

(1)Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2)Due to banks and other financial institutions and placements from banks and other financial Institutions include funds from selling repurchase financial assets.

(3)The net position of foreign currency comprised the related net position of monetary assets and liabilities.

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group and the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a potential net increase. As the Group and the Bank have no cash flow hedges based on foreign exchange risk and have only a minimal amount of equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on equity.

Currency	The Group and the Bank			
	31 December 2021		31 December 2020	
	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)
USD	+/-5	+/-100	+/-5	+/-400
HKD	+/-5	-/+18	+/-5	-/+14

3.2 Interest rate risk

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Bank for the year. The Bank mainly manages the interest rate risk of transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Bank.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Bank are primarily denominated in RMB. The Bank manages bank account interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analysing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Bank regularly convene the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage bank account interest rate risk by predicting future macroeconomic trends and analysing base rate policies of the Peoples' Bank of China.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2021, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarised as follows:

	The Group					
	31 December 2021					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central bank	297,217	-	-	-	14,816	312,033
Precious metals	-	-	-	-	17,820	17,820
Amounts due from other financial institutions (1)	155,438	23,164	-	-	474	179,076
Financial assets held for trading and derivative financial assets	9,502	95,817	125,464	34,930	154,228	419,941
Loans and advances to customers	1,255,445	1,269,594	437,577	11,576	10,561	2,984,753
Investment on debts	41,279	122,786	305,972	259,928	8,201	738,166
Other investment on debts	10,902	29,561	88,794	21,584	1,587	152,428
Other equity instrument investment	-	-	-	-	2,592	2,592
Fixed assets	-	-	-	-	11,974	11,974
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	6,771	6,771
Other assets	-	-	-	-	88,258	88,258
Total assets	1,769,783	1,540,922	957,807	328,018	324,850	4,921,380
Liabilities:						
Borrowings from the Central bank	64,519	82,055	-	-	1,588	148,162
Amounts due to other financial institutions (2)	409,257	13,858	100	-	2,013	425,228
Financial liabilities held for trading and derivative financial liabilities	31,092	-	-	-	43,421	74,513
Deposits due to customers	1,778,772	588,248	571,534	2,050	49,914	2,990,518
Debt securities issued	308,973	402,662	109,980	-	2,319	823,934
Lease liabilities	-	-	-	-	6,968	6,968
Other liabilities	-	-	-	-	56,609	56,609
Total liabilities	2,592,613	1,086,823	681,614	2,050	162,832	4,525,932
Interest rate risk gap	(822,830)	454,099	276,193	325,968	Not applicable	Not applicable

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

As at 31 December 2021, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarised as follows:

	The Bank					
	31 December 2021					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central bank	297,217	-	-	-	14,816	312,033
Precious metals	-	-	-	-	17,820	17,820
Amounts due from other financial institutions (1)	155,113	23,164	-	-	474	178,751
Financial assets held for trading and derivative financial assets	9,502	95,767	124,351	34,419	153,145	417,184
Loans and advances to customers	1,255,445	1,269,594	437,577	11,576	10,561	2,984,753
Investment on debts	41,279	121,786	305,972	259,928	8,174	737,139
Other investment on debts	10,902	28,959	88,404	21,584	1,577	151,426
Other equity instrument investment	-	-	-	-	2,592	2,592
Fixed assets	-	-	-	-	11,947	11,947
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	6,743	6,743
Other assets	-	-	-	-	93,117	93,117
Total assets	1,769,458	1,539,270	956,304	327,507	328,534	4,921,073
Liabilities:						
Borrowings from the Central bank	64,519	82,055	-	-	1,588	148,162
Amounts due to other financial institutions (2)	410,354	13,858	100	-	2,010	426,322
Financial liabilities held for trading and derivative financial liabilities	31,092	-	-	-	43,421	74,513
Deposits due to customers	1,778,775	588,248	571,534	2,050	49,915	2,990,522
Debt securities issued	308,973	402,662	109,980	-	2,319	823,934
Lease liabilities	-	-	-	-	6,943	6,943
Other liabilities	-	-	-	-	57,010	57,010
Total liabilities	2,593,713	1,086,823	681,614	2,050	163,206	4,527,406
Interest rate risk gap	(824,255)	452,447	274,690	325,457	Not applicable	Not applicable

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2020, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarised as follows:

	The Group					
	31 December 2020					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central bank	271,144	-	-	-	12,838	283,982
Precious metals	-	-	-	-	31,340	31,340
Amounts due from other financial institutions (1)	229,556	42,463	-	-	465	272,484
Financial assets held for trading and derivative financial assets	24,235	62,244	100,987	21,366	139,045	347,877
Loans and advances to customers	1,144,481	1,072,082	371,817	15,095	7,366	2,610,841
Investment on debts	35,352	83,547	302,421	204,604	7,695	633,619
Other investment on debts	13,351	38,903	111,770	30,726	2,323	197,073
Other equity instrument investment	-	-	-	-	1,649	1,649
Fixed assets	-	-	-	-	10,893	10,893
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	7,149	7,149
Other assets	-	-	-	-	64,039	64,039
Total assets	1,718,119	1,299,239	886,995	271,791	292,370	4,468,514
Liabilities:						
Borrowings from the Central bank	38,720	84,110	-	-	1,757	124,587
Amounts due to other financial institutions (2)	458,142	85,631	-	-	2,098	545,871
Financial liabilities held for trading and derivative financial liabilities	24,031	-	-	-	48,959	72,990
Deposits due to customers	1,723,106	425,014	485,083	26,970	35,762	2,695,935
Debt securities issued	234,731	315,281	59,986	-	1,867	611,865
Lease liabilities	-	-	-	-	7,346	7,346
Other liabilities	-	-	-	-	45,789	45,789
Total liabilities	2,478,730	910,036	545,069	26,970	143,578	4,104,383
Interest rate risk gap	(760,611)	389,203	341,926	244,821	Not applicable	Not applicable

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

As at 31 December 2020, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarised as follows:

	The Bank					
	31 December 2020					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central bank	271,144	-	-	-	12,838	283,982
Precious metals	-	-	-	-	31,340	31,340
Amounts due from other financial institutions (1)	228,877	42,463	-	-	465	271,805
Financial assets held for trading and derivative financial assets	23,657	60,269	100,987	21,366	139,028	345,307
Loans and advances to customers	1,144,481	1,072,082	371,817	15,095	7,366	2,610,841
Investment on debts	35,352	83,547	302,421	204,604	7,695	633,619
Other investment on debts	13,351	38,903	110,570	30,525	2,312	195,661
Other equity instrument investment	-	-	-	-	1,649	1,649
Fixed assets	-	-	-	-	10,893	10,893
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	7,097	7,097
Other assets	-	-	-	-	69,017	69,017
Total assets	1,716,862	1,297,264	885,795	271,590	297,268	4,468,779
Liabilities:						
Borrowings from the Central bank	38,720	84,110	-	-	1,757	124,587
Amounts due to other financial institutions (2)	458,492	85,631	-	-	2,098	546,221
Financial liabilities held for trading and derivative financial liabilities	24,031	-	-	-	48,959	72,990
Deposits due to customers	1,723,108	425,014	485,083	26,970	35,762	2,695,937
Debt securities issued	234,731	315,281	59,986	-	1,867	611,865
Lease liabilities	-	-	-	-	7,296	7,296
Other liabilities	-	-	-	-	45,923	45,923
Total liabilities	2,479,082	910,036	545,069	26,970	143,662	4,104,819
Interest rate risk gap	(762,220)	387,228	340,726	244,620	Not applicable	Not applicable

(1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

The Group and the Bank principally use sensitivity analyses to measure and control interest rate risk. In respect of the financial assets and liabilities held for trading, in the opinion of management, the interest rate risk to the Group and the Bank arising from this portfolio is not significant. For other financial assets and liabilities, the Group and the Bank mainly use a gap analysis to measure and control the related interest rate risk.

As at 31 December 2021 and 31 December 2020, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) were as follows:

	The Group			
	31 December 2021		31 December 2020	
	Changes of interest rates (basis points)		Changes of interest rates (basis points)	
	-50	+50	-50	+50
Effect on the net interest income increase/(decrease)	2,834	(2,834)	2,847	(2,847)
Effect on equity increase/(decrease)	1,581	(1,581)	1,960	(1,960)

	The Bank			
	31 December 2021		31 December 2020	
	Changes of interest rates (basis points)		Changes of interest rates (basis points)	
	-50	+50	-50	+50
Effect on the net interest income increase/(decrease)	2,843	(2,843)	2,851	(2,851)
Effect on equity increase/(decrease)	1,577	(1,577)	1,944	(1,944)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) held by the Group and the Bank at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate financial assets designated at fair value and changes included into other comprehensive income, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity of the Group and the Bank as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

4. Fair value of financial instruments

4.1 Financial assets and liabilities measured at fair value on a recurring basis

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The sources of the inputs comprise Bloomberg, Reuters, China Bond Market Website and National Equities Exchange and Quotations.

Level 3: Unobservable inputs for the asset or liability.

As at 31 December 2021, the Group's assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Group			
	31 December 2021			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	11,228	-	11,228
Financial assets held for trading	1,721	386,163	1,819	389,703
Derivative financial assets	-	30,238	-	30,238
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	248,054	-	248,054
Other investment on debts	-	152,428	-	152,428
Other equity instrument investment	326	1	2,265	2,592
Total	2,047	828,112	4,084	834,243
Financial liabilities:				
Financial liabilities held for trading	11,923	31,498	-	43,421
Derivative financial liabilities	-	31,092	-	31,092
Total	11,923	62,590	-	74,513

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments (Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2021, the Bank's assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Bank			
	31 December 2021			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	11,228	-	11,228
Financial assets held for trading	658	384,469	1,819	386,946
Derivative financial assets	-	30,238	-	30,238
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	248,054	-	248,054
Other investment on debts	-	151,426	-	151,426
Other equity instrument investment	326	1	2,265	2,592
Total	984	825,416	4,084	830,484
Financial liabilities:				
Financial liabilities held for trading	11,923	31,498	-	43,421
Derivative financial liabilities	-	31,092	-	31,092
Total	11,923	62,590	-	74,513

As at 31 December 2020, the Group's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Group			
	31 December 2020			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	13,223	-	13,223
Financial assets held for trading	671	309,764	835	311,270
Derivative financial assets	-	36,607	-	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	-	202,087	202,087
Other investment on debts	-	197,073	-	197,073
Other equity investments	13	1	1,635	1,649
Total	684	556,668	204,557	761,909
Financial liabilities:				
Financial liabilities held for trading	7,142	24,363	-	31,505
Derivative financial liabilities	-	41,485	-	41,485
Total	7,142	65,848	-	72,990

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments (Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2020, the Bank's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Bank			Total
	31 December 2020			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	13,223	-	13,223
Financial assets held for trading	671	307,194	835	308,700
Derivative financial assets	-	36,607	-	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	-	202,087	202,087
Other investment on debts	-	195,661	-	195,661
Other equity investments	13	1	1,635	1,649
Total	684	552,686	204,557	757,927
Financial liabilities:				
Financial liabilities held for trading	7,142	24,363	-	31,505
Derivative financial liabilities	-	41,485	-	41,485
Total	7,142	65,848	-	72,990

The Group and the Bank take the date on which events causing the transfers between the levels take place as the timing specific for recognizing the transfers. For the year ended 31 December 2021, the Group and the Bank had no transfer between Level 1 and Level 2.

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of those not traded in an active market is determined by the Group and the Bank using valuation techniques.

Financial instruments classified to Level 2 are mainly investments in bonds, derivatives, inter-bank borrowings, loans and advances to customers designated at fair value and changes included into other comprehensive income, etc. The fair value of RMB denominated bonds is determined based on the valuation result from the China Central Depository & Clearing Co., Ltd. while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of derivatives is determined by using the discounted cash flow method and the Blair-Scholes model and inter-bank borrowings, loans and advances to customers designated at fair value and changes included into other comprehensive income is evaluated using the discounted cash flow method. Inter-bank borrowings are evaluated using the discounted cash flow method. All significant parameters used valuation techniques which was observable market information.

Financial instruments classified to Level 3 are mainly private equity. The valuation methods used mainly comprise market method. The unobservable parameters used mainly include discount rate and liquidity discount.

The Group and the Bank had no financial assets or liabilities that were not measured at fair value on a recurring basis as at 31 December 2021 and 31 December 2020.

The changes in Level 3 financial assets are analyzed below:

	For the year ended 31 December 2021		
	The Group and the Bank		
	Financial assets held for trading	Loans and advances to customers designated at fair value and changes included into other comprehensive income	Other equity investments
1 January 2021	835	202,087	1,635
Purchases	2,430	2,481,851	630
Sales/(reversal)	(1,671)	(2,687,938)	-
Gains recognized in the profits and losses	225	4,000	-
31 December 2021	1,819	-	2,265

4.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value include: balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions measured at amortized cost, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, investment on debts, borrowings from the Central Bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, proceeds from financial assets sold under repurchase agreements, deposits due to customers, debt securities issued, etc.

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Year ended 31 December 2021

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VIII. Risk disclosure(Continued)

4.Fair value of financial instruments (Continued)

4.2 Financial assets and liabilities not measured at fair value (Continued)

The following table summarizes the carrying amount and fair value of the investment on debts and debt securities issued that are not measured or disclosed at fair value:

The Group					
31 December 2021					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Investment on debts	738,166	-	748,524	1,027	749,551
Debt securities issued	823,934	-	823,946	-	823,946

The Bank					
31 December 2021					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Investment on debts	737,139	-	748,524	-	748,524
Debt securities issued	823,934	-	823,946	-	823,946

The Group and the Bank					
31 December 2020					
Carrying amount	Fair value				Total
	Level 1	Level 2	Level 3		
Investment on debts	633,619	-	634,592	-	634,592
Debt securities issued	611,865	-	610,219	-	610,219

(1)The fair value of investment on debts is determined based on quoted market prices, presented in Level 1. If relevant market information cannot be obtained for investment on debts, discounted cash flow model is used to carry on the valuation, or where applicable, the quoted price with similar credit risk, maturity and yield is used, presented in Level 2 and Level 3.

(2)The fair value of debt securities issued is determined based on quoted market prices, presented in Level 1. If all the significant inputs in calculating the fair value of debt securities issued are observable, the fair value is presented in Level 2.

Discounted future cash flow method is used to determine the financial assets and financial liabilities that are not measured at fair value other than the above. As the periods for these financial instruments are short or their interest rates float based on the market interest rate, there are no significant differences between their carrying amounts and fair values:

Assets	Liabilities
Cash and balances with the Central Bank	Borrowings from the Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with and loans to banks and other financial institutions measured at amortised cost	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers measured at amortised cost	Deposits due to customers
Other financial assets	Other financial liabilities

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IX. Related party relationship and transactions

1. Major related party relationship

(1) The parent company:

Name	Place of registration	Percentage of equity interest held	
		31 December 2021	31 December 2020
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	58%	58%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as “China Ping An”) was established in Shenzhen, the People’s Republic of China on 21 March 1988. The business scope of China Ping An includes investment in insurance business; supervision and management of various domestic and international businesses of investment holding enterprises; management of insurance funds; conducting of domestic and international insurance businesses with the approval; conducting of other businesses approved by the China Insurance Regulatory Commission and the relevant state departments.

As at 31 December 2021, 8.44% of shares of the Group were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd. (31 December 2020: 8.44%)

(2) Subsidiaries:

For the subsidiaries, please refer to Note IV 11.

(3) Other major shareholders:

Name	Relationship with the Group
China Electronics Investment Shenzhen Company	Shareholder that holds less than 5% of the equity interests of the Group and dispatches directors to the Group
Shenzhen Yingzhongtai Investment Co., Ltd.	Shareholder that holds less than 5% of the equity interests of the Group and dispatches supervisors to the Group

The transactions between the Group and its parent company and related parties, other major shareholders and their related parties are processed according to the normal commercial terms and business procedures. The above related parties mainly refer to subsidiaries, associates, joint ventures, key management personnel, etc. Key management personnel refer to the personnel that have the authority and responsibility to plan, direct and control business activities, including directors, supervisors and senior management of the Group.

2. Major transactions between the Group and China Ping An and its related parties during the year are as follows:

Balance at the end of the year	31 December 2021	31 December 2020
Derivative financial assets	383	1,414
Loans and advances to customers	15,843	17,629
Investment on debts	2,674	589
Right-of-use assets	1,034	557
Other assets	198	100
Deposits from banks and other financial institutions	24,735	16,099
Derivative financial liabilities	333	399
Deposits due to customers	75,844	86,341
Lease liabilities	1,024	565
Other liabilities	1,161	1,613
Letters of guarantee issued	1,980	580
Letters of guarantee under comprehensive financial business (Note 1)	8,000	8,000
Other equity instruments (Note 2)	11,589	11,589

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Year ended 31 December 2021

(All amounts in RMB million unless otherwise stated)

IX. Related party relationship and transactions(Continued)

2.Major transactions between the Group and China Ping An and its related parties during the year are as follows(Continued):

Transactions during the year	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest income from loans and advances to customers	589	522
Agency service fee income	2,350	662
Asset custody fee income	86	20
Investment income	186	61
Interest expenses on deposits from banks and other financial institutions	563	306
Interest expenses for transaction between financial enterprises	118	319
Interest expenses of deposits due to customers	927	991
Interest expenses of lease liabilities	62	41
Payment under operating leases	-	17
Service fee expenditure (Note 3)	8,595	7,596
Depreciation expenses of right-of-use assets	334	422
Gains or losses on changes in fair value	3	17
Exchange gains and losses	66	942

Note 1: For the purpose of letters of guarantee under comprehensive financial business, Ping An Group raises funds to establish debt investment plans in order to loan to the client for investing certain projects, where the Group issues financing guarantee, and Ping An Group acts as beneficiaries. The Group provides letters of guarantee based on credit granting to the borrowers, whose credit granting risk control measures are primarily based on the guarantee provided by the borrowers.

Note 2: On 7 March 2016, the Group issued 200 million preference shares at par, with a total amount of RMB20 billion. The net amount of raised money excluding issuance expenses amounted to RMB19,953 million. Ping An Group subscribed to RMB11.6 billion of the total amount, and the actual subscription amount excluding issuance expenses amounted to RMB11,589 million. On 8 March 2021, the Group distributed a total amount of dividends on preference shares amounting to RMB507 million to Ping An Group, and the nominal dividend rate was 4.37%.

Note 3: Service fee expenditure is mainly arising from the use of Ping An Group's Wanlitong credit card reward platform service, network platform service fee, the use of communication service, etc.

3.Major transactions with its controlling subsidiaries during the year are listed below:

Balance at the end of the year	31 December 2021	31 December 2020
Deposits from banks and other financial institutions	1,094	350
Deposits due to customers	4	2
Other liabilities	975	342

Transactions during the year	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest expenses on deposits from banks and other financial institutions	7	10
Fee and commission expenses	2,181	322

4.Major transactions between the Group and other major shareholders and their related parties during the year are as follows:

Balance at the end of the year	31 December 2021	31 December 2020
Deposits due to customers	5	2

5.Major transactions with the key management personnel during the year are listed below:

Loans	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at the beginning of the year	21	25
Increase in the current year	-	-
Decrease in the current year	(18)	(4)
Balance at the end of the year	3	21

As at 31 December 2021, the annual interest rates of these loan transactions ranged from 1.13% to 4.02% (As at 31 December 2020: 1.13%-8.53%)

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IX. Related party relationship and transactions(Continued)

5.Major transactions with the key management personnel during the year are listed below:(Continued):

Deposits	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance at the beginning of the year	24	33
Increase in the current year	290	1,112
Decrease in the current year	(293)	(1,121)
Balance at the end of the year	21	24

The above deposit transactions were processed according to the normal commercial terms and business procedures.

6.Details of the compensation for key management personnel are as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries and other short-term employee benefits	33	34
Post-employment benefits	1	1
Total	34	35

As at 31 December 2021, the Group didn't authorise a balance of total credit facility (31 December 2020: RMB26,511 million) for entities which are controlled, jointly controlled or significantly influenced relating to the key management personnel of the Group or their close family members; there were no utilized credit limit and no balance of loans and advances to customers (31 December 2020: utilized credit limit of RMB3,077 million and balance of loans and advances to customers of RMB1,757 million). As at 31 December 2021, the Group took a deposit amounting to RMB7,663 million from the above associates (31 December 2020: RMB9,730 million). The above do not include related party transactions between the Group and China Ping An and its related parties.

X. Events after the balance sheet date

As approved by the 28th meeting of the 11th session of the Board of Directors of the Bank on 13 January 2022, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2021 to 6 March 2022. The dividends date was 7 March 2022. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As approved by the 29th meeting of the 11th session of the Board of Directors of the Bank on 9 March 2022, the Bank proposed to distribute a cash dividend of RMB2.28 (inclusive of tax) for every 10 shares based on the total share capital of 19,406 million shares as at 31 December 2021 after the appropriation to general risk reserve. The cash dividends proposed to distribute totaled RMB4,425 million. The above distribution scheme was pending for approval by the general meeting of shareholders.

XI. Comparative information

To conform to the current period's presentation of financial statements, the Group adjusted the presentation of certain comparative figures, such as relevant income from credit card instalment.

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XII. Other significant items

Assets and liabilities measured at fair value

	The Group			
	Ended 31 December 2021			
	1 January 2021	Gains or losses from changes in fair value during the year	Accumulated changes of fair value charged in other comprehensive income	31 December 2021
Assets:				
Precious metals	31,340	(3,095)	-	17,820
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	13,223	-	9	11,228
Financial assets held for trading	311,270	1,844	-	389,703
Positive fair value of derivatives	36,607	(5,780)	-	30,238
Loans and advances to customers designated at fair value and changes included into other comprehensive income	202,087	-	-	248,054
Other investment on debts	197,073	-	788	152,428
Other equity investment	1,649	-	(640)	2,592
Total	793,249	(7,031)	157	852,063
Liabilities:				
Financial liabilities held for trading	31,505	152	-	43,421
Negative fair value of derivatives	41,485	(10,327)	-	31,092
Total	72,990	(10,175)	-	74,513

	The Bank			
	Ended 31 December 2021			
	1 January 2021	Gains or losses from changes in fair value during the year	Accumulated changes of fair value charged in other comprehensive income	31 December 2021
Assets:				
Precious metals	31,340	(3,095)	-	17,820
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	13,223	-	9	11,228
Financial assets held for trading	308,700	1,838	-	386,946
Positive fair value of derivatives	36,607	(5,780)	-	30,238
Loans and advances to customers designated at fair value and changes included into other comprehensive income	202,087	-	-	248,054
Other investment on debts	195,661	-	786	151,426
Other equity investment	1,649	-	(640)	2,592
Total	789,267	(7,037)	155	848,304
Liabilities:				
Financial liabilities held for trading	31,505	152	-	43,421
Negative fair value of derivatives	41,485	(10,327)	-	31,092
Total	72,990	(10,175)	-	74,513

Supplementary Information to Financial Statements

Appendix: Supplementary information to financial statements

Net asset return and earnings per share

Ended 31 December 2021	ROE		Earnings per share (in RMB)	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	10.29%	10.85%	1.73	1.73
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss	10.26%	10.82%	1.72	1.72

Ended 31 December 2020	ROE		Earnings per share (in RMB)	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	9.26%	9.58%	1.40	1.40
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss	9.23%	9.55%	1.40	1.40

Including net profit attributable to the equity holders excluding non-recurring profit or loss

	Year 2021	Year 2020
Net profit for the current year attributable to shareholders of the Bank	36,336	28,928
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(1,975)	(820)
Net profit attributable to ordinary shareholders of the Bank	33,487	27,234
Add/(Less): Non-recurring gains or losses		
Net gains or losses on disposal of non-current assets	(16)	(92)
Loss/gain from contingencies	9	6
Other net loss/gain	(127)	(25)
Income tax effect	28	23
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss	33,381	27,146

The above net asset return and earnings per share are calculated in accordance with the rules stipulated in the Regulation on Information Disclosure of Public Companies No. 9 as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring gains or losses are calculated in accordance with the rules stipulated in the CSRC Announcement [2008] No. 43 *Interpretation of Information Disclosure of Public Companies No. 1 - Non-recurring Gains or Losses*, effective from 1 December 2008.

The profit or loss arising from changes in the fair value of financial assets and liabilities held for trading in the Group's ordinary course of business, and investment income arising from disposals of investment on debts, other investment on debts, non-equity investment in financial assets held for trading and financial liabilities held for trading are not disclosed as non- recurring gains or losses.

List of Documents Available for Inspection

- 1. The accounting statements sealed and signed by Chairman, President, Vice President and CFO, and the person in charge of the accounting department.
- 2. The original copy of the audit report sealed by the accounting firm and sealed and signed by the certified public accountants.
- 3. The originals of the Company's documents and announcements which have been publicly disclosed during the reporting period.

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