



中国人寿集团成员单位

发现精彩  
开创未来

ANNUAL REPORT 2021

銀廣  
行發

# 发现精彩 开创未来

## • Vision

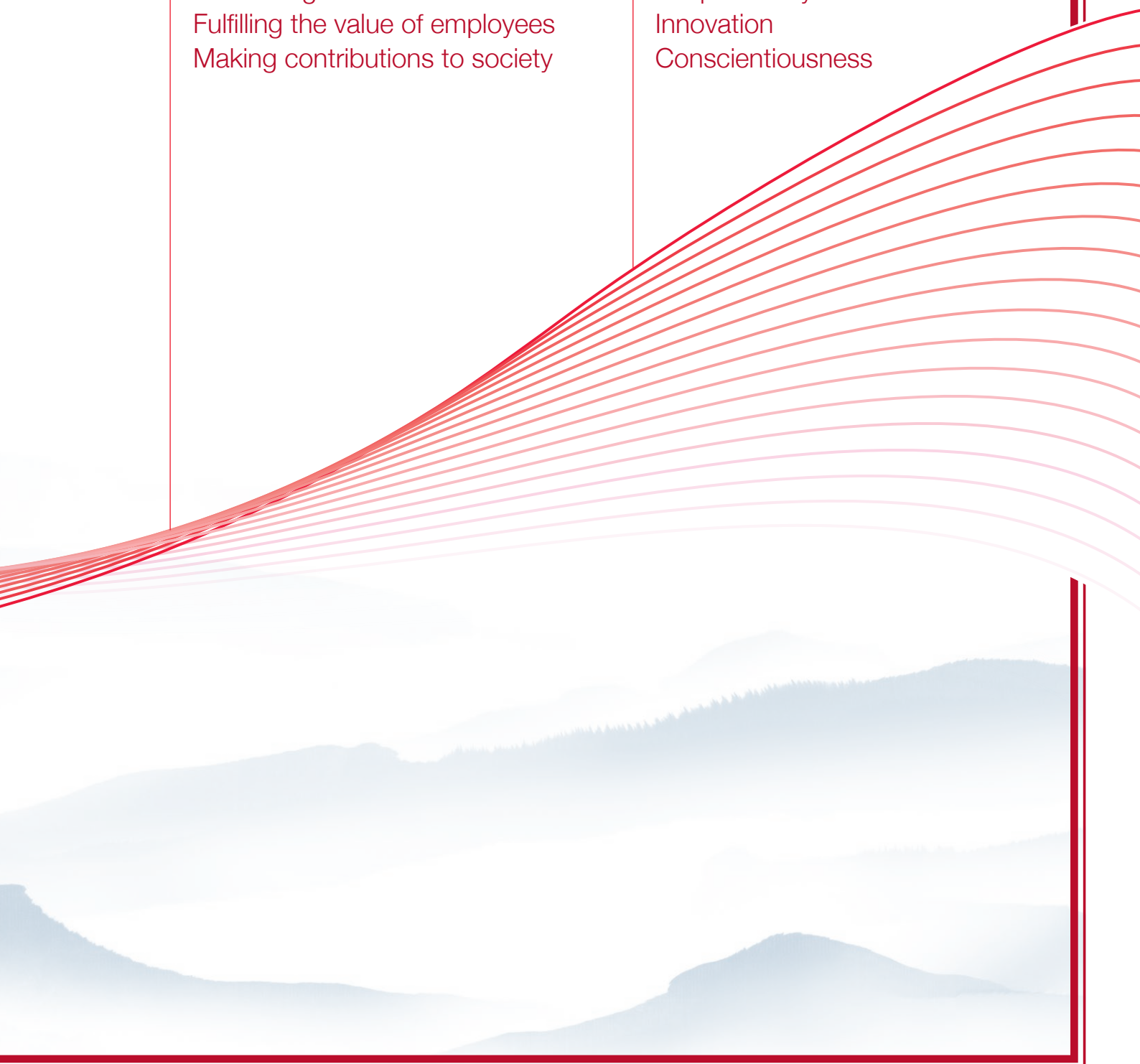
To build a first-class commercial bank among peers, with full functionality, diversified businesses and salient features

## • **Mission**

Serving customers  
Rewarding shareholders  
Fulfilling the value of employees  
Making contributions to society

## • **Core Values**

Faithfulness  
Responsibility  
Innovation  
Conscientiousness



# Introduction of the Bank

Established in 1988, China Guangfa Bank is one of the earliest incorporated joint-stock commercial banks in China. The Bank upholds the core values of “faithfulness, responsibility, innovation and conscientiousness”, bears in mind the historic mission of “serving customers, rewarding shareholders, fulfilling the value of employees and making contributions to society”, practices the service concept of “know each other for you” and strives towards its strategic vision of being “one of the first-class commercial banks in China”.

The Bank aims to provide customers with high-quality, efficient and comprehensive financial services. The Bank’s network has expanded to include 959 business offices in 111 cities at and above the prefecture level in 26 provinces (municipalities and autonomous regions) including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang and the Hong Kong and Macau Special Administrative Regions, as well as a wholly-owned subsidiary, CGB Wealth Management Co., Ltd. which was established in 2021. The Bank has established correspondent SWIFT authentication partnerships with over 1,000 banking institutions in nearly 100 countries and regions. The Bank’s high quality and comprehensive financial services have covered nearly 400,000 corporate customers, more than 46.00 million individual customers, 101.00 million credit card customers and more than 62.00 million mobile banking customers.





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## Important Notice

- The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Executives of the Bank confirm that the contents in this annual report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they severally and jointly undertake legal responsibility for such contents.
- The Annual Report 2021 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 17th Meeting of the ninth session of the Board of Directors of the Bank, where all the directors with voting rights attended the meeting and exercised their voting rights in person.
- The Annual Report 2021 of China Guangfa Bank Co., Ltd. was reviewed and approved by the 15th meeting of the eighth session of the Board of Supervisors of the Bank with written review opinions. Supervisor Wu Dahao entrusted Supervisor Fan Junxiong in writing to vote on his behalf, while the rest of the Supervisors attended the meeting and exercised their voting rights in person.
- PricewaterhouseCoopers Zhongtian LLP audited the Bank's 2021 financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles, and issued a standard auditor's report with unqualified opinions. Meanwhile, PricewaterhouseCoopers Zhongtian LLP audited the Bank's financial statements of Year 2021 prepared in accordance with the International Accounting Standards, and issued a standard auditor report with unqualified opinions.
- Among the net profit of RMB17.476 billion as stated in the Bank's audited financial statements of Year 2021, 10% or RMB1.748 billion will be appropriated to the statutory surplus reserve; RMB3.109 billion equivalent to 1.5% of the balance of risk assets will be appropriated to the general reserve. A cash dividend of RMB0.813 (tax inclusive) per every 10 shares will be paid to all shareholders, amounting to RMB1.772 billion. The above profit distribution plan is subject to the review and approval at 2021 annual general meeting of the Bank.
- This report is prepared in both Chinese and English. In the case of any discrepancies, the Chinese version shall prevail.
- Forward-looking statements relating to the Bank's future financial position, operating performance, business development and business plan in this report do not constitute any substantive commitments. The Bank's actual operating performance and development may differ from forward-looking statements due to various factors and uncertainties.
- The risks faced by the Bank in the course of business mainly include credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, reputation risk, strategic risk, compliance risk and information technology risk. The Bank has taken various measures to effectively manage and control various business risks. For details, please refer to the disclosure in "Management Discussion and Analysis".
- On 25 March 2022, Mr. Bai Tao was elected as the Director and Chairman of the Bank, and his qualifications are subject to the approval of regulatory authorities.

Legal Representative Wang Kai, Executive Vice President in charge of finance Yin Yi and Head of Finance Department Qiu Gang, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in the Bank's 2021 Annual Report.

## Definitions

In this report, unless the context otherwise requires, the following terms have the meaning set forth below:

The Bank or CGB	refers to	China Guangfa Bank Co., Ltd.
The Group	refers to	China Guangfa Bank Co., Ltd. and its subsidiaries
Articles of Association	refers to	Articles of Association of China Guangfa Bank Co., Ltd.
China Life Group	refers to	China Life Insurance (Group) Company
Central Bank	refers to	The People's Bank of China
CBIRC	refers to	China Banking and Insurance Regulatory Commission
CSRC	refers to	China Securities Regulatory Commission
CGB Wealth Management	refers to	CGB Wealth Management Co., Ltd.
RMB	refers to	Renminbi



## Chairman's Statement





## Overcome Difficulties, Forge ahead.

Year 2021 is the 100th anniversary of the founding of the Communist Party of China and the first year of China's "14th Five-year Plan". Guided by president Xi Jinping's thoughts on socialism with Chinese characteristics in the new era, we thoroughly implement the decisions of the Central Committee of the CPC, grasp the opportunities at the new development stage, carry out the new development philosophy, serve the new development pattern, and promote a high-quality development with steady progress and improvement. The "14th Five-year Plan" is off to a good start.

**Party building continues to deepen.** The leadership of the CPC is further integrating with corporate governance. We have studied the history of the CPC, celebrated the 100th anniversary of its founding. The construction of grass-roots party organizations has been continuously strengthened, the full and rigorous governance of the Party has been exercised in depth, and achievements have been made in improving Party conduct, upholding integrity and combating corruption.

**Actively serve the overall interests.** We continuously increase financial support in cutting-edge manufacturing, strategic emerging industries, green finance, people's livelihood security, and other sectors, with the balance of loans exceeding RMB2 trillion; we have taken the initiative to reduce levies and charges, and the balance of inclusive loans to small and micro enterprises increased by over 20% year on year; the "one policy for one region" initiative has supported regional coordinated development, expanded inclusive agriculture-involved finance, and helped effectively link poverty alleviation with rural revitalization.

**Significantly enhance the comprehensive competence.** With total assets exceeding RMB3.3 trillion, revenue of RMB74.9 billion, and net profit of RMB17.48 billion (up 26.5% year on year), our capital has been effectively replenished, and we have been selected as one of the first systematically important banks in China.

**Deepening reform and innovation.** By accelerating digitization, continuing to increase the percentage of scientific and technical investment, optimizing business layout, opening the CGB Wealth Management subsidiary and 12 branches for business, the comprehensive financial advantages have continuously emerged, and overall enhancement has been achieved in both quality and efficiency.

**Strong and effective risk control.** We have further improved our overall risk management system, with the ratio of non-performing loans down 0.14 percentage point and provision coverage ratio up 7.95 percentage points. We have continuously optimized assets quality, improved our internal control and compliance mechanism, and further consolidated our foundation for steady development.

## Integrity, innovation, and strive to be the best.

The 20th National Congress of the CPC is to be held in 2022, which is a key year for China to enter into overall construction of a socialist modern country and march toward the second centenary goal. We will fully implement president Xi Jinping's thoughts on socialism with Chinese characteristics in the new era, resolutely carry out the decisions of the Central Committee of the CPC, follow the general principle of seeking progress while keeping performance stable, pursuing progress while ensuring stability, and unswervingly promote the high-quality development.

**Give greater prominence to political guidance.** We will continue to facilitate the organic integration of the CPC leadership and corporate governance and stick to the path of financial

development with Chinese characteristics. We will comprehensively strengthen the Party's theories on innovation, practically uphold the "four consciousnesses" and "four self-confidences", implement the "two maintenances" and "two determinations" both in soul and in actions, and incessantly enhance political judgment, political perception, and political execution. We will exercise full and rigorous Party governance, constantly improve Party conduct, uphold discipline and combat corruption, and create a clean political ecology.

**More emphasis on service for the overall interests.** We will practically increase political posture, firmly grasp what's important for the nation, earnestly implement people-oriented development, incessantly deepen the financial supply structural reform, enhance people's sense of gain, happiness, and security, allocate more financial resources to key areas and weaknesses of socioeconomic development, and vigorously develop inclusive finance, technology finance, green finance, industrial chain and supply chain finance, among other businesses, and comprehensively serve the development of the real economy and the implementation of major national strategies.

**More emphasis on value creation.** We will fully, accurately and comprehensively implement the new development concept, persistently strengthen product and service capacity building, fully facilitate to increase the value of each business segment, and form a development pattern with improved structure, high efficiency, and sound operation. We will orient business based on capital constraints, accelerate the transition to "light-asset and light-capital" business, and fully explore the key path for development of such light-model business.

**More emphasis on reform and innovation.** We will continue to advocate for an innovative spirit, rely on China Life Group's comprehensive financial advantages of "insurance + investment + banking", continue to deepen collaborative development, further promote product innovation, model innovation, and mechanism innovation, and strive to build into a leading comprehensive financial characteristic bank in the industry. We will accelerate the transition of digitization, enhance the digital, networked, and intelligent empowerment of traditional business models and operational processes, and accelerate the transition from technology support to technology driving.

**More emphasis on risk control.** We will roll out a plan for development and safety, earnestly implement the principle of "stabilizing the overall situations, making overall plans and coordination, implementing strategies with classification, taking precise measures", adhere to the system framework, establish a bottom-line thinking, continuously improve the overall risk management system and the risk control mechanism, and actively resolve the existing risks, strictly control additional risks, and firmly guard against systemic risks.

On the crossroads of history, we will become more firmly united around the Central Committee of the CPC with Comrade Xi Jinping at its core, work hard and practice unrelentingly, write a new chapter of CGB's high-quality development, contribute to society, shareholders and clients with outstanding results, and greet the convocation of the upcoming 20th National Congress of the CPC with practical actions.





## President's Statement



In 2021, the CPC celebrated its 100th anniversary, realized its 1st centenary goal, and took a critical step forward in the road of national rejuvenation. In this prosperous epoch, CGB will work hard to make high quality development led by Party building, and make 2021 a fruitful year.

**During the study of the CPC history, we put the Bank's own development process into the Party's leadership of financial work to think and summarize, and consolidate the consensus of "stronger Party building makes CGB thriving".**

Since our establishment more than three decades ago, CGB has been committed to "exploring financial reform, and serving the real economy" throughout our development paths, from diversified operation to the main business of banking, from multi-level legal persons to a unified legal person, from local development to nationwide development, from provincial financial enterprise to foreign bank dominating operation, and to central financial enterprise. Since we became a member entity of China Life Group in 2016, we are enhancing Party leadership, and by the end of 2021, we handed over a satisfactory answer to "concerted development led by Party building": total assets of RMB3.36 trillion, total deposits of RMB2.09 trillion, and total loans of RMB2.02 trillion, increasing by 64%, 90%, and 107% respectively from those in 2016; business revenue was RMB74.9 billion, and net profits were RMB17.48 billion. The non-performing loan ratio reduced to 1.41%, and the coverage ratio rose to 186%. In 2021, we completed additional issue of shares, opened 12 branches in Xiong'an, Qingdao and Haikou among other cities, and CGB Wealth Management Co., Ltd.. We were a member of the first group of pilot banks for "Cross-border Wealth Management", and were selected as one of the first systematically important banks in China, and our market position and influence was further improved.

**We proactively serve the "Six Stabilities" and "Six Guarantees",** offering fee reduction or relief of RMB2.7 billion to real economy, attempting to solve difficult

financing, expensive financing, slow financing, and other problems, reducing the interest rate of the inclusive loans for micro-small enterprises by 31 base points compared to the last year, launching online products such as “Electricity Bill E-loan” and “High-tech Enterprise E-loan”, and completing loan approvals within one business day.

**We insist on financing for the people,** build “B end new financial ecology” based on the “Wonderful Discovery” app, with more than 66.84 million registered users, issuing more than 100 million credit cards, offering a better financial experience for a better life; we launched the “free life” pension financing brand and exclusive credit cards for middle-aged and elderly people, built “elders banking” outlets, and made financial services available to the elderly.

**We actively integrated into national key strategies,** promoted an effective link between poverty relief and rural revitalization, launched “Rural Revitalization Loans”, “Cantonese Cuisine Chef”, “Cantonese Technicians”, “South Cantonese Housekeeping”, and other financial service programs, with precision supporting loans increasing by 18%; we have developed specific plans of action for key regions of national strategies, increased loans by more than RMB100 billion in the Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River delta region and other regions; we have supported the “carbon neutrality, carbon peaking” strategy, with our green credit increasing by more than 50%.

**As we embark on a new journey, we will take the initiative to innovate, achieve transformation breakthroughs, create greater value and discover more wonders.**

**We will further focus on the main business.** We will fully serve the real economy, effectively prevent and resolve financial risks, facilitate to deepen financial reforms and implement major strategies. The customer-centric concept has been refined and implemented into various business activities, to better meet the increasingly diverse financial service needs of the enterprises, institutions and individual residents.

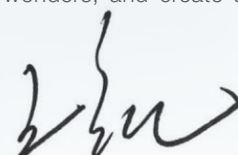
**We will further facilitate business transitions.**

We will leverage the advantage of CGB credit cards, integrate consumer finance, wealth management, and people-benefiting services, improve overall retail service capabilities, form the online and offline collaborative service system supported by mobile apps, over 10,000 cloud stores, nearly 1,000 outlets. Simultaneously, we will accelerate the transition of the corporate business to a “light-asset, light-capital” mode and continuously improve operating profitability and return on capital.

**We will further enhance technology innovation.** We will build a comprehensive, intelligent, ecological digital GUANGFA, integrate technology capabilities into C-end life, G-end social public governance, B-end industrial interconnection, promote ecologic linkage, integrate comprehensive financial services, industrial solutions and pan-financial services, connect to broader consumer scenarios, and provide service for more customers.

**We will further deepen the collaboration.** Under the leadership of the Party Committee of China Life Group, over the past five years, we have cooperated with the insurance and investment sectors to serve more than 4 million individual customers, and the scale of comprehensive financial services exceeds RMB410 billion. In the future, we will continue to carry forward the synergy advantages of insurance and banking, strengthen wealth management capability of our wholly-owned subsidiary – CGB Wealth Management, give full play to the high-frequency and interactive characteristics of banking business, extend the service chain, ecological chain, and value chain, and strive to become a leading comprehensive financial bank.

The future belongs to striving innovators and practical doers. Standing at a new starting point, let us be full of enthusiasm, forge ahead, discover wonders, and create a brighter future!



## Milestones of 2021

### I. Comprehensively deepen the party leadership

We learned the history of the CPC through high-standard and high-quality educations, exercised the full and rigorous governance of the Party in depth, told "GUANGFA stories" with its history, consolidated the consensus that stronger Party building makes CGB thriving.

### II. Undertake the mission to serve the entities

We deeply implemented the decisions and deployments of the Central Committee of the CPC, reduced charges to real economy by RMB2.7 billion, increased loans by more than RMB100 billion to key national strategic regions, and supported green development, rural revitalization, strategic emerging industries, customer services etc. with obvious results.

### III. Extension of organization layout

We opened CGB Wealth Management Co., Ltd. for business, set up 12 branches in Qingdao, Haikou, Xiong'an and other cities, optimized and extended our organization layout, and made a critical step in comprehensive operation.

### IV. Steady increase in business strength

We ranked among the top joint stock banks in terms of the growth rate of total assets, deposits and loans, and we were selected as one of the first systematically important banks in China, with steadily increasing scale and brand value.

### V. Additional issue of shares

We issued additional shares to raise a capital of RMB18.37 billion, which was satisfied on January 2022, greatly enhanced our capital strength, and effectively improved our capabilities of serving the real economy.

**VI. Blueprint of the “14th Five-year Plan”**

We release CGB's 14th five-year plan which is to draw a strategic development blueprint of “one layout, two paths and three-in-one bank”.

**VII. Over 100 million credit cards were issued**

We issued 101 million credit cards cumulatively, covering lifestyle scenarios, building the integrated financial new ecology, officially marched into “the hundreds-of-millions club”.

**VIII. Digital GUANGFA was accelerated**

We launched Mobile Banking 7.0, Wonderful Discovery 6.0, Corporate WeChat 1.0, “Cloud Bank Teller” service modes, opened over 10,000 cloud stores, and our intelligent projects became powerful tools to acquire customers.

**IX. Cross-border business leads innovation**

We strengthened our home-court advantage in the Greater Bay Area, and were shortlisted in the first pilot banks for the “Cross-border Wealth Management”, and innovatively launched cross-border insurance claims, cross-border custody and other services.

**X. Building excellent teams to empower development**

We innovated the HR management measures, take “five mores” measures in policy development, training path, recruitment channel, benefit protection, HR service and other aspects, and fully promoted the high-quality cadres & staff team building.





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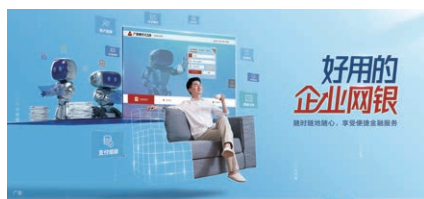


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【全新功能】新增“我的广发”、“我的钱包”、“我的生活”三大板块，整合广发银行各项业务，提升用户粘性。  
【全新体验】新增“我的广发”、“我的钱包”、“我的生活”三大板块，整合广发银行各项业务，提升用户粘性。  
【全新服务】新增“我的广发”、“我的钱包”、“我的生活”三大板块，整合广发银行各项业务，提升用户粘性。



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# Corporate Profile

## Corporate Profile

### Statutory Names

Chinese name: 广发银行股份有限公司

(Abbreviation: 广发银行)

English name: China Guangfa Bank Co., Ltd.

(Abbreviation: China Guangfa Bank, CGB or Guangfa Bank)

### Business Philosophy and Business Scope

**Business Philosophy:** Conduct various commercial banking businesses legally in line with the principles of equality, willingness, fairness and honesty; facilitate and support the development of national economy and the overall prosperity of society; and maximize the shareholders' value.

The Bank regards safety, liquidity and profitability as the principles for its operation, and operates independently at its own risk, assume sole responsibility for its profits and losses and be self-disciplined.

**Business Scope:** Taking public deposits; granting short-term, mid-term and long-term loans; handling domestic and overseas settlements; handling bills acceptance and discount; issuing financial bonds; issuing, paying for and underwriting government bonds as an agent; sales and purchases of negotiable securities such as government bonds and financial bonds; engaging in interbank borrowings; providing letters of credit service and guarantee; engaging in bank card business; acting as payment and receipt agent and insurance agent; providing safe deposit box services; taking deposits and granting loans in foreign currency; foreign currency remittance; foreign currency exchange; international settlements; foreign exchange settlements and sales; inter-bank foreign currency borrowings; handling acceptance and discount of bills in foreign currency; granting foreign currency loans; granting foreign currency guarantees; sales and purchases of negotiable securities other than shares in a foreign currency for itself and as an agent; issuing negotiable securities other than shares in a foreign currency for itself and as an agent; sales and purchases of foreign exchange on its own account and on behalf of its customers; issuing and making payments for foreign credit card as an agent; offshore financial operations; assets and credit verification, consultation and notarization businesses; other businesses approved by the CBIRC and other relevant authorities.

**Legal Representative:** Wang Kai

**Secretary to the Board of Directors:** Li Guangxin

### Registered Office Address

No. 713 Dongfengdong Road, Yuexiu District, Guangzhou  
Postcode: 510080

Service hotline of China Guangfa Bank: 400-830-8003

Guangfa credit card hotline: 95508

Website: www.cgbchina.com.cn

### Place for Obtaining Annual Report

The Finance Department of the Bank

### Other Relevant Information

The first registration date: 8 July 1988

The date of registration change: 27 May 2021

Authority of registration: Guangdong Provincial  
Administration for Industry and Commerce of People's  
Republic of China

Registered capital: RMB19,687,196,272

Unified social credit code: 91440000190336428Q

Institution No. of financial license: B0012H144010001

## Engaged Auditors

Domestic Auditor:

Office address:

PricewaterhouseCoopers Zhongtian LLP

Qiantan Center, No. 588 Dongyu Road, Pudong New District,  
Shanghai, China

Names of Signing Certified Public Accountants:

Ye Shaokuan, Lu Jian

International auditors:

PricewaterhouseCoopers Zhongtian LLP

Office address:

Qiantan Center, No. 588 Dongyu Road, Pudong New District,  
Shanghai, China

**This report was disclosed in accordance with the requirements of China Banking and Insurance Regulatory Commission's Corporate Governance Standards for Banking and Insurance Institutions and Information Disclosure Measures for Commercial Banks.**





# Corporate Profile

## Development Strategy

In 2021, this Bank published the development planning for the “14th Five-year Plan” period, determined the general strategy of “**one layout, two paths, three-in-one bank**”, that is, around the national modernization layout, insisted on innovative development and light-model development, built valuable, smart and integrated bank with CGB features, continued to raise the corporate value and market position, and devoted to building CGB into a first-class bank with nationwide influence in China.

During the “14th Five-year Plan” period, the Bank will maintain the strategic focus, **closely link to the national development layout**, anchor to the national planning in the “14th Five-year plan” and the long-term goal by 2035, actively fulfill the responsibilities as a financial SOE, support national key strategies and serve the real economy, and to be a vanguard in thoroughly implementing the decisions of the CPC Central Committee. **The Bank will adhere to the path of innovation-driven development**, implement the national innovation-driven development strategy, treat innovation as the core momentum for the Bank's high-quality development, promote reform, optimize mechanisms, break bottlenecks, improve weakness through innovation, and deepen digitization. **The Bank will insist on light-model development**, take

light-model as the transformation direction, take the path of capital-saving development, speed up the development of retail banking, transaction banking, investment banking, asset management, asset custody, financial market and other light-capital businesses. **The Bank will build up the valuable bank with high-quality development**, insist on differentiated development, highlight retail business, strengthen corporate business, optimize financial markets, and continue to create values for customers, employees, shareholders, and society. **The Bank will create a smart bank with the best customer experience**, insist on integrated development, empower consumption and industry upgrading by financial technology, create a “finance + technology + C, G, B” ecology, and create a new mode of digitized operation. **The Bank will create an inclusive, integrated, comprehensive bank**, insist on collaborative development, promote insurance-banking cooperation in depth, continue to reinforce collaboration within the bank, realize “one customer, one CGB, one China Life”, and become an comprehensive financial service provider with distinctive features.

New era, new start. This Bank will keep its original aspiration, keep in mind the mission, adhere to the overall leadership of the CPC, achieve high-quality development led by high-quality Party building, and start a new journey with concerted efforts.

## Core Competence

Within the reporting period, the Bank, always under the guidance of president Xi Jinping's Thoughts on Socialism with Chinese Characteristics in the New Era, progressed steadily, implemented the decisions of the CPC Central Committee, treated reform and innovation as the radical drive, with the fundamental purpose of effectively supporting the development of the real economy and better meeting the people's increasing needs for a better life, continued to advance the operational management reform, incessantly solidified the foundation of high-quality development, and made a good start in the "14th Five-year Plan" period.

**Serving the overall interests.** The Bank insisted on Party building, thoroughly studied and implemented the spirit of president Xi Jinping's key speech on 1 July 2021 and the spirit of the Sixth Plenary Session of the 19th CPC Central Committee, and earnestly practiced the "I do practical things for the people" ideology. The Bank was selected as one of the first systemically important banks in China, with a higher mission and a heavier responsibility to serve the overall national interests and the real economy. The Bank resolutely implemented the decisions and arrangements of the CPC Central Committee, focused on key regions, major strategies, and weakness in socioeconomic development, and proactively integrated into and served the overall national interests. The Bank improved the working mechanism for implementing the decisions and deployments of the CPC Central Committee, and strengthened the whole process closed-loop management; published the CGB's Implementing Plan of Serving China's Regional Development Strategy, realizing the full coverage of the national key strategic regional service plan of "one region, one policy". The Bank upheld the role of serving the real economy, helped construct the new development layout, fully served for "Six Stabilities" and "Six Guarantees", enhanced financial support to civil small-micro businesses, cutting-edge manufacturing industry, technology innovation, green development, rural revitalization, and other key fields.

**Advancing the strategic transformation in depth.** Guided by president Xi Jinping's Thoughts on Socialism with Chinese Characteristics in New Era, the Bank published the CGB development planning during the "14th Five-year Plan" period and drew a new blueprint for its operation and development. Around the national modernization layout, the Bank insisted on the path of innovative and asset-light development, built valuable, smart and integrated bank with CGB features, highlighted retail business, strengthened corporate business, optimized financial market, and continued to increase the operational strength and market competitiveness. The quality and the efficiency of Insurance-banking cooperation were increased. The Bank enhanced cooperation with China Life Group members in terms of customer coverage, channels integration, product service and other aspects, complemented each other's strategies, continuously cooperated to increase customer value, and further enhanced comprehensive financial service capabilities. Our diversified strategic layout achieved new breakthroughs, our subsidiary – CGB Wealth Management opened for business officially, and the Bank was shortlisted in the first pilot banks for "Cross-border Wealth Management". Asset Operation Center was approved for construction, and Asset Custody Center applied for its license.

**Innovation-driven effects continuously emerged.** The Bank resolutely implemented the national innovation-driven development strategy, accelerated digitization, and elevated innovative development to the strategic level of the entire bank. The Bank continued to strengthen digital empowerment and won the PBOC FinTech Development Award. The Bank used big data, blockchain, cloud computing, AI and other fintech means to create a "digital GUANGFA" with "comprehensive, intelligent, ecological" features. The Bank increased input in financial technology, and the proportion of technology investment in operating revenue increased. The Bank built the technology support capability of "platform cloudification, application mobilization, data integration, autonomous development, and systematized security" to consolidate the foundation of technology development and business support. The Bank launched Mobile Banking 7.0, Wonderful Discovery 6.0, Corporate WeChat 1.0, opened over 10,000 cloud stores, and created the Cloud Bank Teller service mode, which enriched the mobile financial service ecosystem. The Bank actively explored the fintech innovation mode with the platform ecology and industrial empowerment, and successfully incubated innovative projects such as digital labor unions, digital property management, citizen cloud, E-payment insurance, and "Small Red Flower" smart kindergartens. The Bank established the Fintech Innovation Committee, set up innovation laboratories, innovation funds, and innovation incubation mechanisms to stimulate innovation throughout the bank.

### Internal risk control defends the bottom line.

The Bank insisted on strengthening internal control, compliance and comprehensive risk management to ensure high-quality development. The Bank improved its comprehensive risk management system, established a comprehensive risk management concept, achieved full coverage of on-and-off balance sheet project risk management, and further enhanced its risk compensation capability. The Bank continued to strengthen compliance, strengthened the cultural concept of "internal control first, compliance-oriented", established a grid management system of "horizontal to side and vertical to the bottom", and further improved comprehensive risk prevention and internal control management capabilities.

**Deepening reform efficiency.** The Bank, strategy-oriented and customer-based, continued to deepen reforms, advanced the modernization of its corporate governance system and governance capabilities, and enabled effective implementation of strategies and high-quality development. The Bank strengthened head office construction, and empowered industry development with strong leadership from the head office. The Bank deepened assessment system reform, enlarged the differentiated authorization of branch credit and resources allocation, and practiced its evaluation supervision mechanism in the short, medium, and long term. The Bank optimized its organizational structure, deepened office transformation, and fully advanced intelligentization. The Bank enhanced team building, refined human resources programs, optimized the employee selection and training system, and motivated the team. The Bank reinforced corporate culture cultivation, updated corporate philosophy, team culture, compliance culture, service culture, and continuously deepened the China Life and CGB brand synergy and cultural integration.



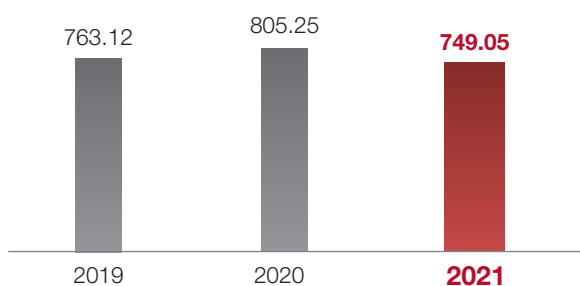
# Summary of Major Accounting Data and Financial Indicators

## Major Accounting Data and Financial Indicators

Item	2021	2020	2019
<b>Annual operating results (RMB'000)</b>			
Net interest income <sup>1</sup>	55,499,243	62,847,299	59,579,449
Net fee and commission income <sup>1</sup>	12,181,837	11,301,954	9,177,573
Operating income	74,904,656	80,525,379	76,312,481
Operating and administrative expenses	(27,265,839)	(23,076,037)	(23,495,484)
Credit and other asset impairment losses	(25,485,025)	(38,920,652)	(36,439,124)
Operating profit	21,228,691	17,518,516	15,457,125
Gross profit	21,259,096	17,577,744	14,922,925
Net profit	17,476,384	13,812,011	12,580,924
Net profit attributed to shareholders of ordinary shares	15,451,384	11,787,011	12,580,924
Net profit attributed to shareholders of ordinary shares after deducting non-recurring profit and loss	15,256,906	11,604,851	12,843,487
Net cash flow from operating activities	91,687,411	41,098,223	(29,144,042)

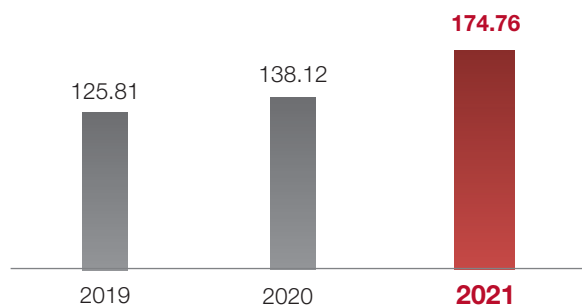
### Operating income

Unit: RMB100 million



### Net profit

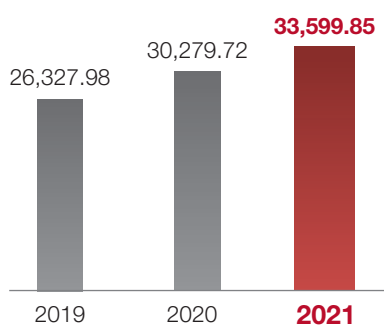
Unit: RMB100 million



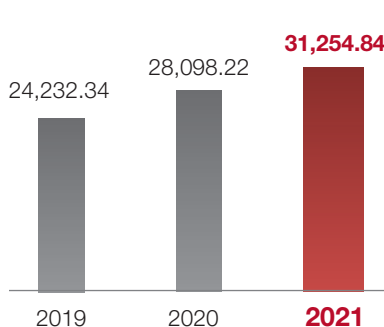
Item	2021	2020	2019
<b>At the end of the reporting period (RMB'000)</b>			
Total assets	<b>3,359,984,546</b>	3,027,971,997	2,632,797,846
Gross loans and advances to customers <sup>2</sup>	<b>2,022,379,482</b>	1,803,981,418	1,573,263,018
Loan impairment allowances <sup>3</sup>	<b>(52,623,079)</b>	(49,408,014)	(41,952,459)
Net Investment <sup>2</sup>	<b>763,384,302</b>	725,754,606	631,108,143
Total liabilities	<b>3,125,483,791</b>	2,809,822,356	2,423,233,621
Deposits from customers <sup>2</sup>	<b>2,094,773,205</b>	1,852,555,464	1,600,170,141
Deposits from banks and other financial institutions <sup>2</sup>	<b>524,142,226</b>	464,918,582	416,715,620
Placements from banks and other financial institutions <sup>2</sup>	<b>62,817,384</b>	16,666,558	27,763,260
Shareholders' equity	<b>234,500,755</b>	218,149,641	209,564,225
Net capital base	<b>291,211,830</b>	274,188,455	244,978,854
Net Tier-1 capital	<b>231,700,892</b>	215,998,834	207,788,873
Net risk-weighted assets	<b>2,354,160,171</b>	2,192,860,460	1,950,827,666
<b>Data per share (RMB)</b>			
Net assets per share	<b>11.91</b>	11.08	10.64
Net assets per share attributed to shareholders of ordinary shares	<b>9.63</b>	8.80	8.36
Basic earnings per share attributed to the shareholders of ordinary shares <sup>4</sup>	<b>0.78</b>	0.60	0.64
Diluted earnings per share attributed to shareholders of ordinary shares <sup>4</sup>	<b>0.78</b>	0.60	0.64
Basic earnings per share attributed to shareholders of ordinary shares after deducting non-recurring profit and loss <sup>4</sup>	<b>0.77</b>	0.59	0.65
Net cash flow from operating activities per share	<b>4.66</b>	2.09	(1.48)

**Total assets**

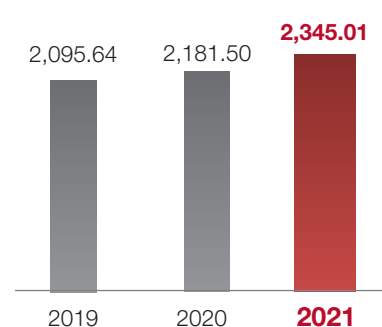
Unit: RMB100 million

**Total liabilities**

Unit: RMB100 million

**Shareholders' equity**

Unit: RMB100 million



# Summary of Major Accounting Data and Financial Indicators

Unit: %

Item	2021	2020	2019
<b>Profitability indicators</b>			
ROAA	0.55	0.49	0.50
Return on weighted average equity <sup>4</sup>	8.52	6.98	7.42
Return on weighted average equity after deducting non-recurring profit and loss <sup>4</sup>	8.41	6.87	7.58
Net interest spread <sup>1</sup>	1.74	2.21	2.53
Net interest margin <sup>1</sup>	1.88	2.34	2.62
Net fee and commission income to operating income ratio <sup>1</sup>	16.26	14.04	12.03
Cost-to-income ratio	36.40	28.66	30.79
<b>Asset quality indicators</b>			
Non-performing loan ratio (NPL ratio)	1.41	1.55	1.55
NPL provision coverage ratio	186.27	178.32	173.41
Provision ratio of loan	2.63	2.76	2.69
<b>Capital adequacy indicators</b>			
Core Tier-1 capital adequacy ratio <sup>5</sup>	7.93	7.80	8.35
Tier-1 capital adequacy ratio <sup>5</sup>	9.84	9.85	10.65
Capital adequacy ratio <sup>5</sup>	12.37	12.50	12.56

Notes: 1. According to the Notice on Strict Implementation of Accounting Standards for Business Enterprises to Effectively Enhance 2020 Annual Report (Caikuai [2021] No. 2) issued by the Ministry of Finance, the Bank reclassified credit card installment income from fee and commission income to interest income, and had adjusted such data as the net interest spread, net interest yield, net fee and commission income to operating income for 2019 and 2020 accordingly.

2. Pursuant to the "Notice of the Ministry of Finance on Revising the Format of 2018 Financial Statements for Financial Enterprises" (Caikuai [2018] No.36), the financial instrument interest provided based on the effective interest method shall be included in the book balance of the corresponding instrument and reflected in related statements but not listed as the item of "interest receivable" or "interest payable". The balance of "interest receivable" or "interest payable" listed in the item of "other assets" or "other liabilities" only refers to the interest receivable due or payable due for related financial instruments but not been received or paid yet as at the balance sheet date. Since the Annual Report 2019, the Bank has adjusted related contents of the financial statements and notes pursuant to the above requirement.

3. Only the loan impairment allowances measured by amortized cost were included.

4. Return on net assets and earnings per share were calculated in accordance with No.9 – Rules on Preparation of Information Disclosures of Companies Publicly Issuing Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (revised in 2010) and Accounting Standards for Business Accounting No. 34 – Earnings per Share. Among them, the Bank issued RMB45 billion undated capital bonds ("perpetual bonds") in September 2019 and paid an interest of RMB2.025 billion for the perpetual bonds in September 2021 and September 2020, respectively. In the calculation of "earnings per share" and "return on average weighted equity", the interest on perpetual bonds issued has been deducted from the numerator.

5. Calculated in accordance with Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).

## Supplementary Financial Ratios

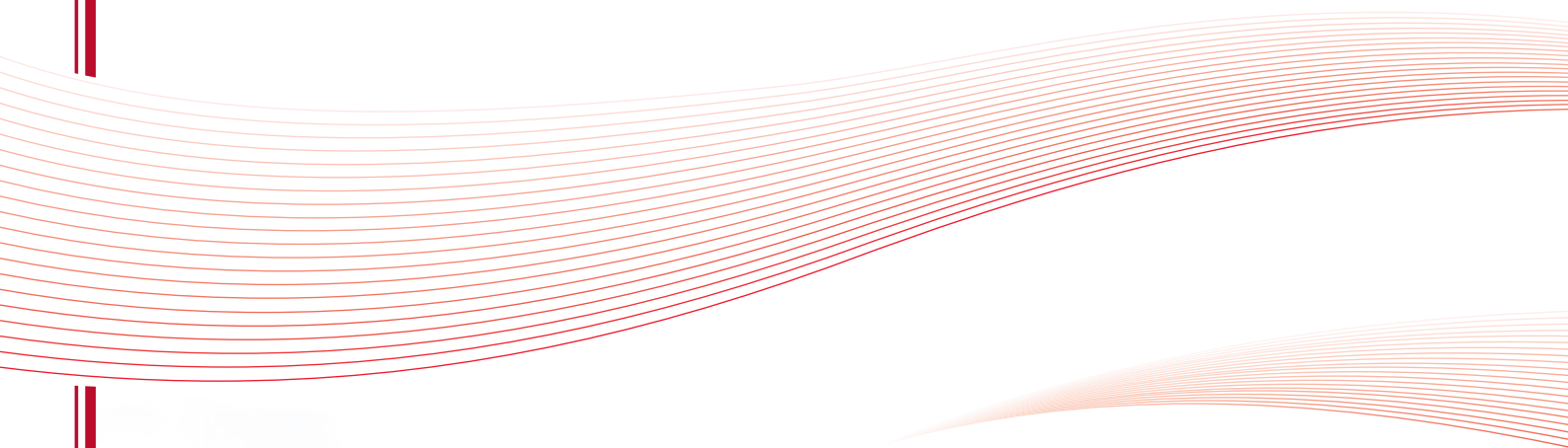
Unit: %

Key Indicator		Regulatory guidelines	End of 2021	End of 2020	End of 2019
Liquidity ratio	Converted into RMB	≥25	72.54	70.81	79.28
The proportion of loans to the largest borrower to net capital		≤10	1.52	1.18	1.35
The proportion of loans to the top 10 borrowers to net capital			11.58	10.57	10.97





广发银行 | CGB



# 党建引领 继往开来

The Bank thoroughly learned and implemented Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and carried out the decisions and plans of the Party Central Committee. With an accurate understanding of this new stage of development, the Bank will fully apply the new development philosophy and serve the establishment of a new development pattern, so as to create new prospects of high-quality development led by high-quality Party building.

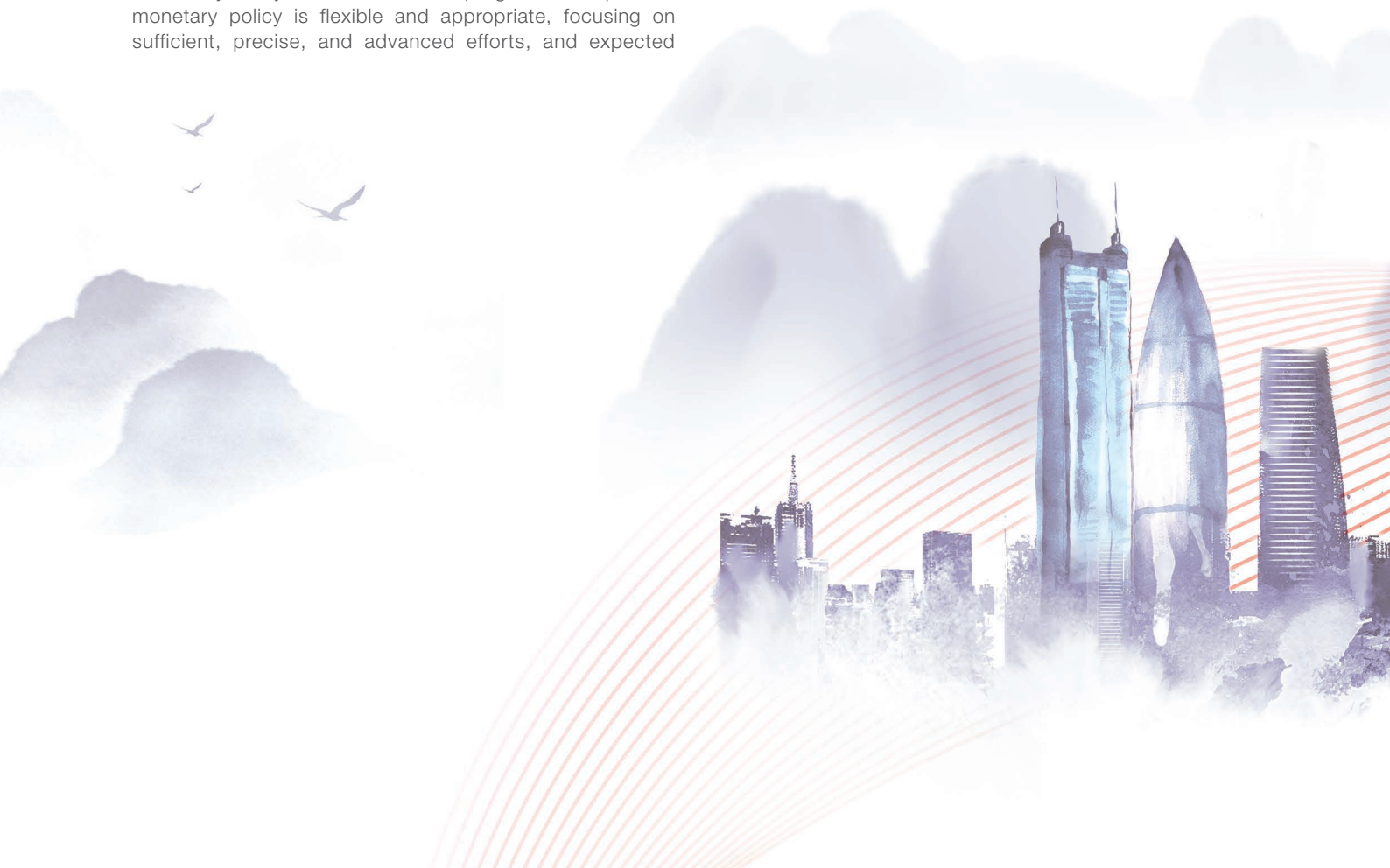
## Economic, Financial and Macroeconomic Environment

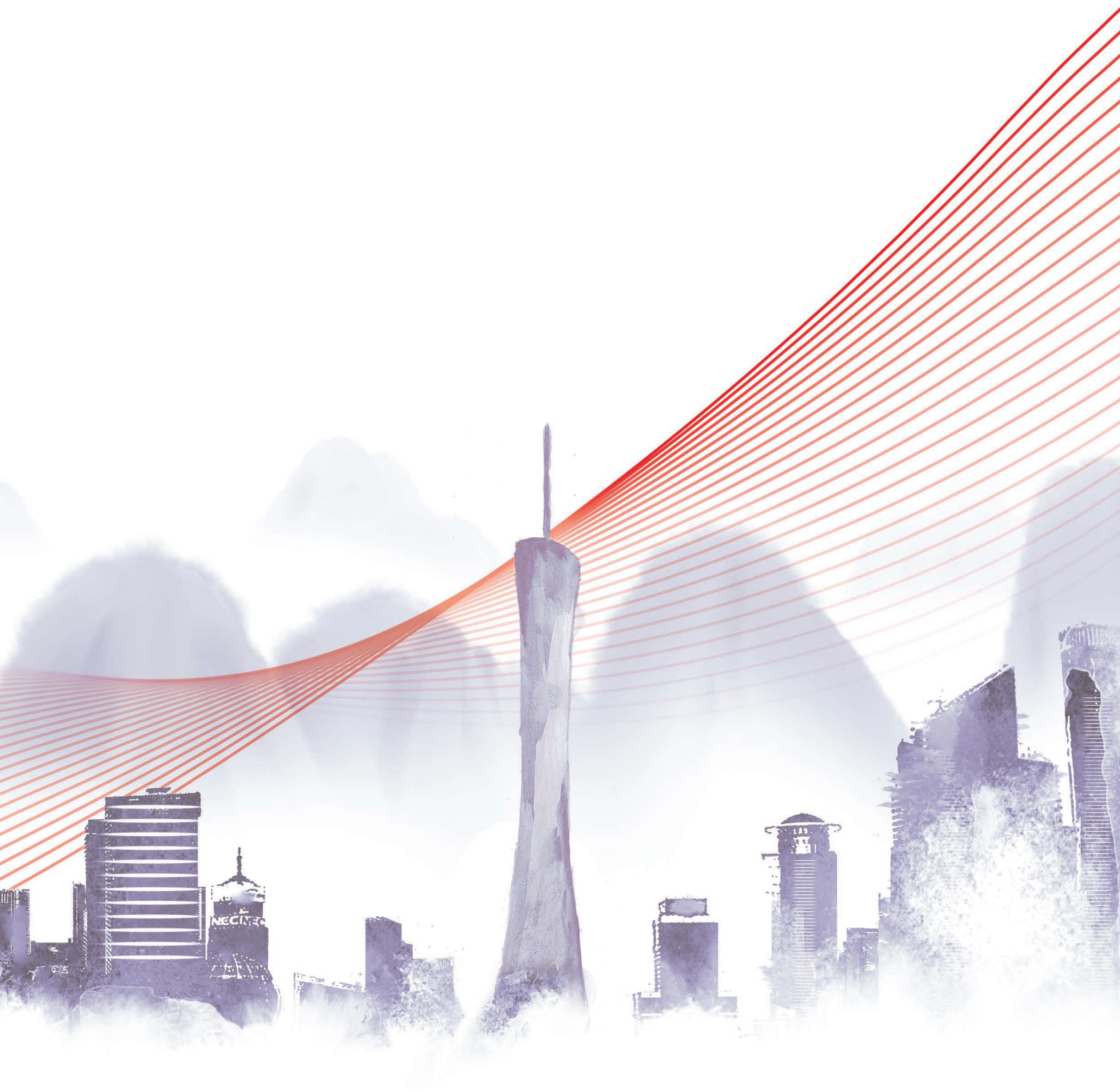
During the reporting period, the world has entered a new period of economic recovery; economies were more differentiated; pandemic prevention and control in China has led the world; the China's economy was in a steady recovery trend. In 2021, economic system reform in China was deepening, the new development pattern was being constructed more quickly, high quality development was further promoted, society was harmonious and stable, and the "14th Five-year Plan" has realized a good start. The quality and efficiency of financial services for the real economy were further improved, and results were achieved in preventing and resolving financial risks and the banking industry was stable overall. In 2021, RMB loans increased by RMB19.95 trillion, an increase of RMB315 billion year on year; M2 and social financing balance increased by 9.0% and 10.3% respectively year on year, basically matching the nominal economic growth rate; total assets of commercial banks was RMB288.6 trillion, an increase of 8.6% year on year; the non-performing loan ratio was 1.73%, a decrease of 0.11 percentage point compared with the beginning of the year; the capital adequacy ratio was 15.13%, an increase of 0.43 percentage point compared with the beginning of the year.

Looking forward to 2022, the Central Economic Work Conference proposed that the China's economy should be steady firstly and make stable progress. The prudent monetary policy is flexible and appropriate, focusing on sufficient, precise, and advanced efforts, and expected

to provide a suitable monetary and financial environment for high-quality economic development; the positive financial policy will increase efficiency, and increasing fiscal expenditure, reducing taxes and fees, and issuing special bonds will fully tap the potential of finance in stabilizing growth and expanding domestic demand. It is expected that given stability and cross-cycle adjustment, the overall macroeconomic market will be stable, the economic operation will remain within a reasonable range, and common prosperity will be further promoted. New consumer modes and new trades are emerging, national strategic technological prowess are intensifying, the multi-level capital market is under steady construction, financial technology is increasingly empowering, and digital currency is rolling out stably. All these are new business opportunities for the development of the banking industry.

In the face of uncertain external environment and accelerating hundred-year changes, domestic economic development is facing triple pressures, which are shrinking demand, impacted supply, and weakening expectations. Consequently, the profitability of the banking industry is under pressure. The industry development logic is rapidly being rethought, while the trend of the banking industry in the future will be digitization, light asset, and characterized operation.







# Review of Operations

## General Business Overview

The Bank, constantly guided by president Xi Jinping's thoughts on Socialism with Chinese Characteristics in New Era, focused on the three missions, which were servicing the real economy, controlling financial risk, and reforming the finance industry, carried out the decisions of CPC, steadily promoted high-quality development, and made a good start of the "14th Five-year Plan". At the end of the reporting period, the Group's total assets amounted to RMB3.36 trillion, an increase of 10.96% compared with the beginning of the year. The loans and advances to customers amounted to RMB2.02 trillion, an increase of 12.11%, and the customer deposits amounted to RMB2.09 trillion, an increase of 13.07%, both growth rates were in the front rank among joint-stock banks. The Bank's accumulated operating income was RMB74.905 billion, and net profit was RMB17.476 billion, an increase of 26.53% year on year. Weighted Return on Average Equity (ROAE) was 8.52%, an increase of 1.54 percentage points year on year, with stably increasing operational benefits; the non-performing loan ratio was 1.41%, a decrease of 0.14 percentage point compared with the beginning of the year, and provision coverage ratio was 186.27%, an increase of 7.95 percentage point compared with the beginning of the year, with optimizing asset quality. The Bank completed the additional issue of shares, published the Bank's "14th Five-year Plan", opened 12 branches including Qingdao branch, Haikou branch, Xiong'an branch, officially opened a wholly owned subsidiary - CGB Wealth Management, and was listed into the first batch of systematically important banks in China, with stably enhancing capital strength and market position.

## Business Management

**Led by Party construction, the Bank has implemented fully and rigorous self-governance of the Party.** The campaign on studying the Party's history has produced solid results, a one-stop learning platform of "listening, looking, practicing, competition, and lecturing" has been built. Leading by the Head Office of the Party Committee, the Live Studio of Red Spirit, the Columns of the Party lecture have been established, the report meeting of exemplary deeds, the top 10 of 100 lessons activity and online lecture competition for the centenary of the Party celebration have been held. Party committees of all levels have promoted more than 1,800 practices for customers and employees, and achieved the "Excellent Organization Award" in the National Party History Knowledge Contest. As the only joint-stock bank achieved the Top 100 National Party Building Innovation Outcomes Cases, the Bank has formed a strong atmosphere of learning the history of the Party and the Bank. The members of the Party Committee earnestly fulfilled the two duties for one post, covered

the supervision on the Party history education, inspection and rectification, promotion reform with cases, and rural revitalization. The Bank fully supported the disciplinary commission in fulfilling its supervision responsibilities and convened supervision promotion meetings. Strengthened the building of the Party organization foundation, the number of the Party branches of the Bank has increased by 5% over the beginning of the year. The Bank has converted non-Party leadership to the Party members thoroughly and developed the guidance on the Party building in overseas agencies. Upholding integrity and combating corruption, the Bank has implemented the Central Committee's eight-point decision on improving Party conduct and continued improving the construction of the Party conduct.

## Focus on core business, the Bank has improved the quality and efficiency of serving the real economy.

The Bank actively provided financial support to the real economy, proactively reduced or exempted charges totaling RMB2.7 billion, took measures such as lowering interest rates and deferred repayment of principal and interest for micro, small, and medium-sized enterprises, and made every effort to support the "Six Stabilities" and "Six Guarantees". The Bank assisted in the financial supply-side structural reform, launched online inclusive financial products such as "Electricity Bill E-loan" and "High-tech Enterprise E-loan", issued micro and small financial bonds in the value of RMB30 billion, the inclusive loans for micro and small enterprises and the loans for private enterprises increased by 21.98% and 7.10% respectively compared with the beginning of the year. The loans for the manufacturing industry and the loans for strategic emerging industries increased by 21.59% and 76.51% respectively compared with the beginning of the year. Developed "carbon peaking and carbon neutrality" action plans, the balance of green credit increased by 50.85% compared with the beginning of the year. The Bank took the initiative to align with the coordinated development strategy for the regions served and developed action plans specific to each region. The loans for key regions (e.g. Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, and the Yangtze River Delta) increased by more than RMB100 billion, and the Bank underwrote local government bonds of all provinces and cities amounting to RMB135.123 billion. The Bank effectively linked poverty relief and rural revitalization, launched the exclusive financial service plans like "rural revitalization loans" and "three projects"; underwrote rural revitalization government bonds and credit bonds in a total amount of RMB4.02 billion. The financial loans for targeted poverty alleviation increased by 18.36% compared with the beginning of the year. The Bank strictly followed the normalized disease control, actively, properly, scientifically, and accurately responded to local outbreaks, and ensured both employees health and operating stability,

which was affirmed by the Guangdong Working Group of the Joint Prevention and Control Mechanism of the State Council.

**Focus on high-quality development, the Bank has driven business transformation and efficiency improvement.**

The Bank achieved breakthroughs in retail transformation and achieved a “double increase” in retail deposits and loans market share. A total of 101 million credit cards were issued, and consumer transactions reached RMB2.42 trillion. The net increase in the balance of credit consumer loans exceeded RMB10 billion. The proceeds from the public offering of “CGB Select” fund amounted to RMB16 billion. The Bank launched the “Huijuhe” insurance fund trust business, pioneered an exclusive credit card for middle-aged and mature people, built a number of “senior banking” outlets, and completed all-channel aging-friendly and barrier-free transformation. Consumer rights protection regulatory assessment level was higher than the previous year. The Bank’s corporate business was stable with improvement, and the growth rate of corporate loans and deposits were at the forefront of joint-stock banks. At the end of 2021, there were more than 100,000 effective customers; 50 new qualifications for government business were added; the China’s leading provincial bankruptcy cases information unified management platform was launched; the new added bond underwriting was scaled at RMB76.138 billion; connected with the “single window” system of the General Administration of Customs. The Bank’s financial market business was stable and improved in quality, and its public fund custody business achieved breakthrough development; the Bank was approved as a margin depository bank by Shanghai Futures Exchange, and innovated the first QFLP (Qualified Foreign Limited Partner) business; wealth management business completed the rectification during the transition period under the new regulations on asset management, the percentage of net value wealth management products increased to 95.72%; the number of CIPS indirect participants ranked 11th in the world.

**Based on characteristic, the Bank has adhered to innovate and create differentiated advantages.**

The Bank carried out in-depth synergy of insurance and banking business to enhance comprehensive financial service capabilities. For the year, agency life insurance and property insurance premiums amounted to totaled RMB1.852 billion, ranking the first among joint-stock agency banks; more than 9 million individual customers were referred to life insurance and property insurance companies, and more than 15,000 corporate customers were referred; the Bank commenced 60 projects in the collaborative investment sector, and investment and financing business supported

the real economy with more than RMB400 billion; the Bank developed a number of collaborative products such as Super Gold Card, Easy Insurance Policy, and Insurance Fund Trust; exceeded the goal of “Beijing Health Insurance”. The Bank accelerated digital operations and empowered retail transformation. The Bank launched Mobile Banking 7.0, “Wonderful Discovery” 6.0, Corporate WeChat 1.0, opened over 10,000 cloud stores, and created the innovative “Cloud Bank Teller” service mode, making the percentage of business volume increased to 37%, mobile financial service ecology was enriched; the Bank launched financial solutions such as its digital labor union, digital property, and digital elderly care, and continuously leveraged the advantages of technology empowerment. The Bank upgraded cross-border financial services and boosted financial opening; strengthened the home-court advantage of the Greater Bay Area, was shortlisted among the first batch of pilot banks for the “Cross-border Wealth Management”, and became one of the first batch of domestic investors in the bond “Southbound Connect”; established secondary branches in Shanghai, Qianhai, Hengqin, and Nansha Free Trade Zones; the Bank recorded cross-border RMB settlement volume exceeding RMB140 billion, an increase of 116.95% year on year.

**Held the bottom line of risks, the Bank has continuously strengthened internal control and compliance.**

The Bank strengthened the prevention and control of credit risks, reinforced the concentration management of customers, industries, and regions, and strengthened the investigation and resolution of large potential risks; the new NPL decreased by RMB14.4 billion as compared with the previous year, and credit bond transactions and investments maintained zero risk for 13 consecutive years. The Bank deepened comprehensive risk management, improved a unified view of customer risks, and enriched the use of early warning signals; developed recovery and resolution plans, and improved risk prevention and resolution mechanisms; upgraded the credit rating model system, which achieved a better level among peers. The Bank solidly promoted the construction of internal control and compliance, carried out the annual campaign to reduce noncompliance cases and reduce punishments, and implemented the “Year of Internal Control and Compliance Management Construction” of the China Banking and Insurance Regulatory Commission (CBIRC); held the competition of “Compliance and Case Prevention Stories in My Life”; promoted the improvement of the bank-wide anti-money laundering working mechanism and system construction, and put into operation a new-generation system to prevent money laundering. The Bank strengthened audit supervision and played an active role in revealing hidden risks and interlocking supervision and audits, enabling more standard and orderly operation management.

# Financial Statement Analysis

## Income Statement Analysis

During the reporting period, the Group realized an operating income of RMB74.905 billion, a decrease of RMB5.621 billion compared with previous year or 6.98% year on year, mainly attributable to strong support to the development of the real economy. The Group reduced financing costs for the real economy and proactively adjusted risk strategies in advance to reasonably reduce the proportion of high-yield retail loans, resulting in a year-on-year decrease in net interest income. The Group realized a net profit of RMB17.476 billion, an increase of RMB3.664 billion compared with previous year or 26.53% year on year.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Operating income	74,904,656	80,525,379	(5,620,723)	(6.98)
Including: Net interest income	55,499,243	62,847,299	(7,348,056)	(11.69)
Net fee and commission income	12,181,837	11,301,954	879,883	7.79
Other non-interest income	7,223,576	6,376,126	847,450	13.29
Taxes and surcharges	(911,984)	(969,675)	57,691	(5.95)
Operating and administrative expenses	(27,265,839)	(23,076,037)	(4,189,802)	18.16
Credit impairment loss	(25,476,171)	(38,875,894)	13,399,723	(34.47)
Other asset impairment losses	(8,854)	(44,758)	35,904	(80.22)
Other operating costs	(13,117)	(40,499)	27,382	(67.61)
Net amount of non-operating incomes and expenses	30,405	59,228	(28,823)	(48.66)
Profit before income tax	21,259,096	17,577,744	3,681,352	20.94
Income tax	(3,782,712)	(3,765,733)	(16,979)	0.45
Net profit	17,476,384	13,812,011	3,664,373	26.53

## Interest Income

During the reporting period, the Group realized an interest income of RMB128.183 billion, an increase of RMB0.34 billion over the previous year or 0.27% year on year, mainly attributable to the increase in serving the real economy and reducing financing costs, and the loan yield has declined, and the overall interest income has remained stable.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Interest income from loans	99,838,272	98,791,123	1,047,149	1.06
Including: Corporate loans	39,781,867	35,934,843	3,847,024	10.71
Individual loans	53,949,836	57,587,192	(3,637,356)	(6.32)
Discounted bills	6,106,569	5,269,088	837,481	15.89
Interest income from investments in financial assets <sup>1</sup>	20,099,657	20,785,183	(685,526)	(3.30)
Interest income from deposits with the Central Bank	2,929,519	2,722,119	207,400	7.62
Interest income from placements with banks and other financial institutions	2,653,537	3,255,868	(602,331)	(18.50)
Interest income from financial assets held under resale agreement	2,622,712	2,231,815	390,897	17.51
Interest income from deposits with banks and other financial institutions	38,856	55,973	(17,117)	(30.58)
Total	128,182,553	127,842,081	340,472	0.27

Notes: 1. Investments in financial assets include investment in creditor's rights listed pursuant to the New Financial Instrument Standards and other investments in creditor's rights. Unless otherwise stated, financial assets investment items in this section "Interest income" shares the same calculation basis as "Net interest income".

## Interest Expense

During the reporting period, the Group's interest expenses were RMB72.683 billion, an increase of RMB7.689 billion over the previous year or 11.83% year on year, mainly due to the continuous increase in the volume of deposits and the corresponding increase in interest expenses on deposits and inter-bank deposits.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Interest expenses for deposits	50,520,200	45,097,969	5,422,231	12.02
Interest expenses of loans from the Central Bank	2,136,000	2,225,951	(89,951)	(4.04)
Bond interest expenses	7,601,106	5,199,336	2,401,770	46.19
Interest expenses of deposits from banks and other financial institutions	11,463,322	11,024,790	438,532	3.98
Interest expenses of placements from banks and other financial institutions	353,066	536,649	(183,583)	(34.21)
Interest expenses of financial assets sold under repurchase agreements	609,616	910,087	(300,471)	(33.02)
Total	72,683,310	64,994,782	7,688,528	11.83



## Financial Statement Analysis

### Net interest income

During the reporting period, the Group realized a net interest income of RMB55.499 billion, a decrease of RMB7.348 billion over the previous year or 11.69% year on year, mainly attributable to the fact that the Group actively responded to policies of supporting the real economy, reduced corporate financing costs for corporates, proactively adjusted risk strategies in advance, and increased credit extension to low-risk businesses and high-quality customer group, lowered the yields on loans and advances to customers, which resulted in a decrease in net interest income.

### Interest-earning assets and interest-bearing liabilities

Unit: RMB'000

Item	2021			2020		
	Daily average balance	Interest income/expenses	Average yield/cost (%)	Daily average balance	Interest income/expenses	Average yield/cost (%)
Assets						
Loans and advances to customers	1,942,197,095	99,838,272	5.14	1,686,150,322	98,791,123	5.86
Investment in financial assets <sup>1</sup>	541,656,060	20,099,657	3.71	550,086,022	20,785,183	3.78
Deposits with the Central Bank	217,742,747	2,929,519	1.35	191,905,388	2,722,119	1.42
Deposits and placements with banks and other financial institutions <sup>2</sup>	253,445,211	5,315,105	2.10	257,457,116	5,543,656	2.15
<b>Total interest-earning assets</b>	<b>2,955,041,113</b>	<b>128,182,553</b>	<b>4.34</b>	<b>2,685,598,848</b>	<b>127,842,081</b>	<b>4.76</b>
Liabilities						
Deposits from customers	1,985,247,864	50,520,200	2.54	1,766,859,337	45,097,969	2.55
Loans from the Central Bank	71,305,479	2,136,000	3.00	69,746,175	2,225,951	3.19
Deposits and placements from banks and other financial institutions <sup>3</sup>	498,207,700	12,426,004	2.49	533,346,365	12,471,526	2.34
Bonds issued	244,802,435	7,601,106	3.10	178,784,140	5,199,336	2.91
<b>Total interest-bearing liabilities</b>	<b>2,799,563,478</b>	<b>72,683,310</b>	<b>2.60</b>	<b>2,548,736,017</b>	<b>64,994,782</b>	<b>2.55</b>
Net interest income		<b>55,499,243</b>			<b>62,847,299</b>	
Net interest spread			<b>1.74</b>			<b>2.21</b>
Net interest margin			<b>1.88</b>			<b>2.34</b>

Notes: 1. Investments in financial assets include investment in creditor's rights listed pursuant to the New Financial Instrument Standards and other investments in creditor's rights.

2. Deposits and placements with banks and other financial institutions mainly include deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

3. Deposits and placements from banks and other financial institutions mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Categories, Daily Average Balance, and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate (%)
Loans	1,942,197,095	5.14
Including: General loans (excluding discounted amount)	1,728,795,571	5.42
Discounted amount	213,401,524	2.86

Main Categories, Daily Average Balance, and Average Annual Interest Rate of Loans

Unit: RMB'000

Item	Daily average balance	Average annual interest rate (%)
Deposit	1,985,247,864	2.54
Including: Corporate deposits	1,583,270,363	2.56
Individual deposit	401,977,501	2.47

Changes of the net interest income and volume and interest rate

Unit: RMB'000

	Causes for change (2021 versus 2020)		
	Volume	Interest rate	Net increase/(decrease)
Assets			
Loans and advances to customers	15,001,716	(13,954,567)	1,047,149
Investment in financial assets	(318,529)	(366,997)	(685,526)
Deposits with the Central Bank	366,495	(159,095)	207,400
Deposits and placements with banks and other financial institutions	(86,386)	(142,165)	(228,551)
<b>Change of interest income</b>	<b>14,963,296</b>	<b>(14,622,824)</b>	<b>340,472</b>
Liabilities			
Deposits from customers	5,574,229	(151,998)	5,422,231
Loans from the Central Bank	49,765	(139,716)	(89,951)
Deposits and placements from banks and other financial institutions	(821,666)	776,144	(45,522)
Bonds issued	1,919,920	481,850	2,401,770
<b>Change of interest expense</b>	<b>6,722,248</b>	<b>966,280</b>	<b>7,688,528</b>
<b>Change of net interest income</b>	<b>8,241,048</b>	<b>(15,589,104)</b>	<b>(7,348,056)</b>

Note: The change attributable to volume change is measured based on the change of the average balance, and the change attributable to interest rate change is measured based on the change of the average interest rate. The changes attributable to both volume and interest rate changes are reflected in the change of interest rate.

## Financial Statement Analysis

### Net Interest Spread and Net Interest Margin

Item	2021 (%)	2020 (%)	Increase or decrease (basis point)
Yield on interest-bearing assets	4.34	4.76	(42)
Interest rate of interest-bearing liabilities	2.60	2.55	5
Net interest spread	1.74	2.21	(47)
Net interest margin	1.88	2.34	(46)

### Non-interest income

During the reporting period, the Group realized non-interest net income of RMB19.405 billion, an increase of RMB1.727 billion over the previous year or 9.77% year on year, mainly attributable to the increase in fee and commission income and factors such as the volatility and decline of bond market yields. Investment gains, gains arising from changes in fair value, and foreign exchange gains generated by the Group's investment business increased in total as a whole.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Net fee and commission income	12,181,837	11,301,954	879,883	7.79
Investment gains	7,256,181	5,086,633	2,169,548	42.65
Gains arising from changes in fair value	(672,763)	771,545	(1,444,308)	(187.20)
Foreign exchange gains	433,534	257,558	175,976	68.32
Other income <sup>1</sup>	206,624	260,390	(53,766)	(20.65)
Total	19,405,413	17,678,080	1,727,333	9.77

Note: 1. Including other business income and gains from asset disposal and other gains.

### Breakdown of net fee and commission income

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Fee and commission income:				
Settlement and clearing fees	468,678	324,132	144,546	44.59
Agency service fees	1,124,380	1,454,858	(330,478)	(22.72)
Bank card fees	12,954,484	11,624,204	1,330,280	11.44
Consultancy and advisory fees	213,473	148,201	65,272	44.04
Assets custody fees	613,116	637,655	(24,539)	(3.85)
Guarantees and commitment fees	524,380	414,305	110,075	26.57
Commission on wealth management products	436,961	503,958	(66,997)	(13.29)
Bond underwriting fees	595,844	623,991	(28,147)	(4.51)
Others	90,253	86,488	3,765	4.35
Sub-total	17,021,569	15,817,792	1,203,777	7.61
Less: Fee and commission expenses	4,839,732	4,515,838	323,894	7.17
Net fee and commission income	12,181,837	11,301,954	879,883	7.79

### Operating and Administrative Expenses

During the reporting period, the Group's operating and administrative expenses were RMB27.266 billion, an increase of RMB4.19 billion compared with the previous year or 18.16% year on year. On the one hand, staff costs grew rapidly due to factors such as the increase in profit and other performance indicators and the gradual withdrawal of preferential reduction and exemption policies because of the impact of the epidemic last year. On the other hand, other business and management expenses have increased due to factors such as the resumption of payment of paying custody fees.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Staff costs	16,282,938	13,525,834	2,757,104	20.38
Depreciation, amortization and lease expenses	4,246,743	3,974,304	272,439	6.86
Other business and management expenses	6,736,158	5,575,899	1,160,259	20.81
Total	27,265,839	23,076,037	4,189,802	18.16



## Financial Statement Analysis

### Impairment losses of credit and other assets

During the reporting period, the Group reported the provision of asset impairment loss of RMB25.485 billion, a decrease of RMB13.436 billion over the previous year or 34.52% year on year. This is mainly due to the fact that the Group has strengthened the prevention, control, resolution, and disposal of risky assets in recent years, and the quality of assets has been continuously optimized, which correspondingly reflected a decrease in impairment losses.

Unit: RMB'000

Item	2021	2020	Increase/ decrease	Growth rate (%)
Impairment losses on loans and advances to customers	23,671,149	34,836,207	(11,165,058)	(32.05)
Impairment losses on investment in financial assets	1,046,791	3,448,359	(2,401,568)	(69.64)
Impairment losses on inter-bank business	242,063	(51,516)	293,579	N/A
Impairment losses on off-balance sheet operations	449,458	1,013,212	(563,754)	(55.64)
Impairment losses on debt assets	8,854	44,758	(35,904)	(80.22)
Others	66,710	(370,368)	437,078	N/A
Total	25,485,025	38,920,652	(13,435,627)	(34.52)

### Balance Sheet Analysis

#### Assets

At the end of the reporting period, the Group's total assets were RMB3,359.985 billion, an increase of RMB332.013 billion or 10.96% compared with the beginning of the year. Gross loans increased rapidly, by RMB218.398 billion, an increase of 12.11% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Gross loans and advances to customers <sup>1</sup>	2,022,379,482	60.19	1,803,981,418	59.58
Less: Loan impairment allowances <sup>2</sup>	(52,623,079)	(1.57)	(49,408,014)	(1.63)
Net loans and advances to customers	1,969,756,403	58.62	1,754,573,404	57.95
Net investment	763,384,302	22.72	725,754,606	23.97
Cash and deposits with the Central Bank	331,312,342	9.86	249,293,004	8.23
Net deposits and placements with banks and other financial institutions	75,155,363	2.24	113,304,405	3.74
Financial assets held under resale agreement	151,902,214	4.52	107,044,659	3.54
Others	68,473,922	2.04	78,001,919	2.57
Total	3,359,984,546	100.00	3,027,971,997	100.00

Notes: 1. According to the Notice on Strict Implementation of Accounting Standards for Business Enterprises to effectively Enhance 2020 Annual Report (Caikuai [2021] No. 2) issued by the Ministry of Finance, the Bank reclassified income from credit card instalment from handling fees income to interest income, reclassified fee receivables from credit card instalment into loans and advances issued and has adjusted the early data accordingly.

2. Includes only the loan impairment allowances measured by amortized cost.

## Loans

At the end of the reporting period, the Group reported a loan balance of RMB2,022.379 billion, an increase of RMB218.398 billion or 12.11% compared with the beginning of the year.

### Loans by Business Category

At the end of the reporting period, the Group reported a corporate loan balance of RMB872.672 billion, an increase of RMB89.022 billion or 11.36% compared with the beginning of the year, mainly attributed to the Group's continued strengthening of its support for the development of the real economy. The Group reported an individual loan balance of RMB902.951 billion, an increase of RMB87.887 billion or 10.78% compared with the beginning of the year, mainly because the Group constantly increased loans such as individual mortgage loans and operation loans like Secured Small Business Loan, while credit card overdrafts recovered steadily. The discounted amount was RMB240.884 billion, an increase of RMB41.918 billion or 21.07% compared with the beginning of the year, mainly attributable to the increase in financing demand of corporate bills.

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	872,672,439	43.15	783,650,641	43.44
Including: Working capital loan	586,681,753	29.01	519,082,548	28.77
Fixed asset loans	247,611,111	12.24	194,961,008	10.81
Trade financing	14,451,282	0.72	34,550,306	1.92
Other corporate loans	23,928,293	1.18	35,056,779	1.94
Individual loans	902,950,800	44.65	815,064,222	45.18
Including: Individual housing mortgage	279,927,210	13.84	235,940,568	13.08
Credit card overdraft	452,345,153	22.37	417,146,757	23.12
Other individual loans	170,678,437	8.44	161,976,897	8.98
Discounted amount	240,883,672	11.91	198,965,469	11.03
Accrued interest	5,872,571	0.29	6,301,086	0.35
Total	2,022,379,482	100.00	1,803,981,418	100.00

Note: Discounted amount comprises the amounts of bill discounting, letter of credit discounting, forfeiting, and document negotiation of domestic letter of credit.

## Financial Statement Analysis

### Loans Classified by Region

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	518,736,132	25.66	463,134,963	25.67
Yangtze River Delta	348,078,530	17.21	330,491,739	18.32
Pearl River Delta	469,443,969	23.21	407,150,366	22.57
Bohai Rim	273,648,065	13.53	241,271,603	13.37
Central and Western Regions	385,293,169	19.05	340,739,003	18.89
Overseas	21,307,046	1.05	14,892,658	0.83
Accrued interest	5,872,571	0.29	6,301,086	0.35
Total	2,022,379,482	100.00	1,803,981,418	100.00

### Loans by type of collateral

Unit: RMB'000

Type of collateral	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Unsecured loans	807,244,480	39.92	722,713,107	40.06
Guaranteed loans	553,240,904	27.36	444,687,163	24.65
Loans secured by mortgages	563,520,603	27.86	514,523,339	28.52
Loans secured by pledges	92,500,924	4.57	115,756,723	6.42
Accrued interest	5,872,571	0.29	6,301,086	0.35
Total	2,022,379,482	100.00	1,803,981,418	100.00

*Top 10 borrowers*

At the end of the reporting period, the Group's largest single client totalled RMB4.426 billion, accounting for 0.22% of the total end-of-period loan balance and 1.52% of the net capital.

Unit: RMB'000

Borrower	Balance of loans	Percentage of net capital (%)	Percentage of total end-of-period loan balance (%)
Client 1	4,426,000.00	1.52	0.22
Client 2	4,000,000.00	1.37	0.20
Client 3	3,691,579.47	1.27	0.18
Client 4	3,618,365.68	1.24	0.18
Client 5	3,058,950.00	1.05	0.15
Client 6	3,000,000.00	1.03	0.15
Client 7	3,000,000.00	1.03	0.15
Client 8	3,000,000.00	1.03	0.15
Client 9	2,997,500.00	1.03	0.15
Client 10	2,942,106.00	1.01	0.15
Total	33,734,501.15	11.58	1.68

Note: The statistics of the top 10 borrowers include discounts.



## Financial Statement Analysis

### Investment

The Group's financial assets held for trading, debt investments, other debt investments, other equity investments, and long-term equity investments included securities, funds, beneficiary interests plan, equity investments, and other financial assets.

#### Investments by accounting items

At the end of the reporting period, the Group reported an investment balance of RMB763.384 billion, an increase of RMB37.630 billion or by 5.18% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets held for trading	142,955,975	18.72	147,364,366	20.31
Debt investments	408,086,317	53.46	332,401,222	45.80
Other debt investments	210,227,708	27.54	243,799,610	33.59
Other equity investments	2,114,302	0.28	2,189,408	0.30
Long term equity investments	—	—	—	—
Total	763,384,302	100.00	725,754,606	100.00

#### Investments by investment products

During the reporting period, to increase the support to local economy, the Group appropriately increased investment on local government bonds, as well as reasonably increased the allocation of financial bonds according to market changes.

Unit: RMB'000

Category	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	330,064,083	43.24	291,529,230	40.17
Central bank bills and financial bonds	216,506,808	28.36	195,819,046	26.98
Other bonds <sup>1</sup>	22,662,128	2.97	19,780,632	2.73
Other investments <sup>2</sup>	194,151,283	25.43	218,625,698	30.12
Long-term equity investment	—	—	—	—
Total	763,384,302	100.00	725,754,606	100.00

Notes: 1. Other bonds mainly refer to corporate bonds.

2. Other investments mainly include investments in funds, beneficial interests of trust investment plans, beneficial interests of asset management plans, etc.

### Investments by remaining maturity

Unit: RMB'000

Remaining maturity	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated	2,114,302	0.28	2,189,408	0.30
Within 3 months	142,283,948	18.64	186,862,323	25.75
3-12 months	97,365,063	12.75	94,626,749	13.04
1-5 years	284,631,344	37.29	252,769,340	34.83
Over 5 years	236,989,645	31.04	189,306,786	26.08
Total	763,384,302	100.00	725,754,606	100.00

### Long-term Equity Investments

During the reporting period, the Group did not hold any long-term equity investment.

### Liabilities

At the end of the reporting period, the Group reported liabilities totaling RMB3,125.484 billion, an increase of RMB315.661 billion or by 11.23% from the beginning of the year. Deposits from customers increased rapidly by RMB242.218 billion or by 13.07% from the beginning of the year. The bonds issued increased by RMB60.832 billion, an increase of 27.41% from the beginning of the year.

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	2,094,773,205	67.02	1,852,555,464	65.93
Deposits from banks and other financial institutions	524,142,226	16.77	464,918,582	16.55
Financial assets sold under repurchase agreements	70,064,869	2.24	85,124,335	3.03
Bonds issued	282,749,134	9.05	221,916,699	7.90
Other liabilities	153,754,357	4.92	185,307,276	6.59
Total	3,125,483,791	100.00	2,809,822,356	100.00

## Financial Statement Analysis

### Deposits

At the end of the reporting period, the Group reported a customer deposit balance of RMB2,094.773 billion, an increase of RMB242,218 billion or 13.07% compared with the beginning of the year, mainly attributable to an increase in demand deposits as a result of comprehensive financial advantages, strengthening of customer development, and expansion of core customers.

#### Deposits by business category

At the end of the reporting period, the Group reported a time deposit balance of RMB1,211.389 billion, an increase of RMB144.323 billion or 13.53% compared with the beginning of the year, mainly attributable to expanding the deposit volume, satisfying the needs of customers' wealth management, and rationally optimizing the deposit structure, resulting in a steady growth in the basic deposits of customers. The demand deposits balance amounted to RMB854.079 billion, an increase of RMB91.626 billion or 12.02% compared with the beginning of the year.

Unit: RMB'000

Item	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits	1,629,498,050	77.79	1,456,819,246	78.64
Including: Demand deposits	733,837,440	35.03	649,407,471	35.06
Time deposits	895,660,610	42.76	807,411,775	43.58
Individual deposits	435,970,224	20.81	372,699,253	20.12
Including: Demand deposits	120,241,423	5.74	113,044,893	6.10
Time deposits	315,728,801	15.07	259,654,360	14.02
Other deposits	1,630,832	0.08	1,888,094	0.10
Accrued interest	27,674,099	1.32	21,148,871	1.14
Total	2,094,773,205	100.00	1,852,555,464	100.00

#### Deposits by remaining maturity

Unit: RMB'000

Remaining maturity	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand/spot	840,946,415	40.14	785,474,869	42.40
Within 3 months	727,208,613	34.72	321,358,745	17.35
3-12 months	267,793,736	12.78	274,971,480	14.84
1-5 years	252,117,131	12.04	469,498,614	25.34
Over 5 years	6,707,310	0.32	1,251,756	0.07
Total	2,094,773,205	100.00	1,852,555,464	100.00

## Changes in Shareholders' Equity

Unit: RMB'000

Item	31 December 2021	Increase in the current period	Decrease in the current period	31 December 2020
Share capital	19,687,196	—	—	19,687,196
Other equity instruments	44,991,071	—	—	44,991,071
Capital reserve	37,050,086	—	—	37,050,086
Other comprehensive income	3,425,426	2,485,097	—	940,329
Surplus reserves	14,280,811	1,747,638	—	12,533,173
General risk reserve	38,099,646	3,108,509	—	34,991,137
Undistributed profits	76,966,519	17,476,384	8,466,514	67,956,649
Total shareholders' equity	234,500,755	24,817,628	8,466,514	218,149,641

Notes: the main reasons for changes in shareholders' equity:

1. The Group paid interest on perpetual bonds and cash dividends during the reporting period, and therefore the undistributed profit was decreased accordingly.
2. The Group allocated 10% of net profit of the year to its statutory surplus reserve.
3. The Group allocated 1.5% of the balance of the risk assets as of 31 December 2021 (before impairment allowance) to the general risk reserve.
4. The increase in other comprehensive income is mainly attributable to the gains from the increase in the fair value of the financial assets at fair value through other comprehensive income.

## Cash Flow Statement Analysis

At the end of the reporting period, the balance of cash and cash equivalents amounted to RMB347.690 billion, representing an increase of RMB129.088 billion or by 59.05% from the end of the previous year.

The net cash inflow generated by operating activities reached RMB91.687 billion, representing an increase of RMB50.589 billion or 123.09% from the end of the previous year, mainly due to the net inflow of inter-bank borrowings and repurchase funds in the year, and the net outflow of inter-bank borrowings and repurchase funds in the previous year.

The net cash outflow generated by investment activities amounted to RMB17.379 billion, a decrease of RMB54.354 billion or 75.77% from the end of the previous year, mainly due to the decrease in the volume of investment in financial assets in the year, and the decrease in cash outflow generated by payments for investments in the year.

Cash inflows generated by financing activities amounted to RMB56.504 billion, representing a decrease of RMB9.113 billion or 13.89% from the end of the previous year, mainly due to the increase in cash outflow for repayment of financial bonds and inter-bank deposits in the year.

# Financial Statement Analysis

## Segment Reporting

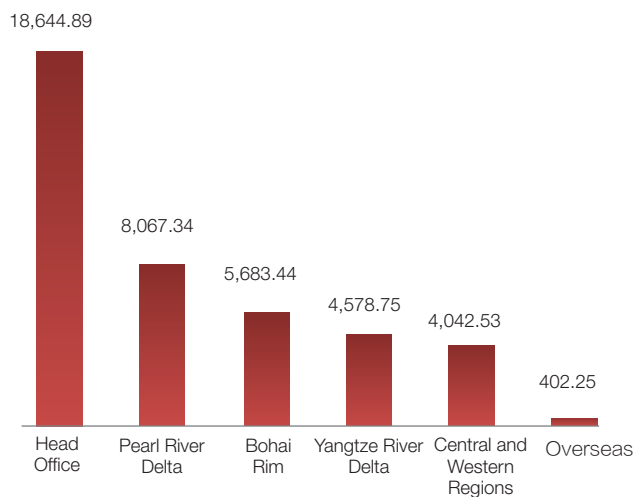
### Segment Operating Results by Region

Unit: RMB'000

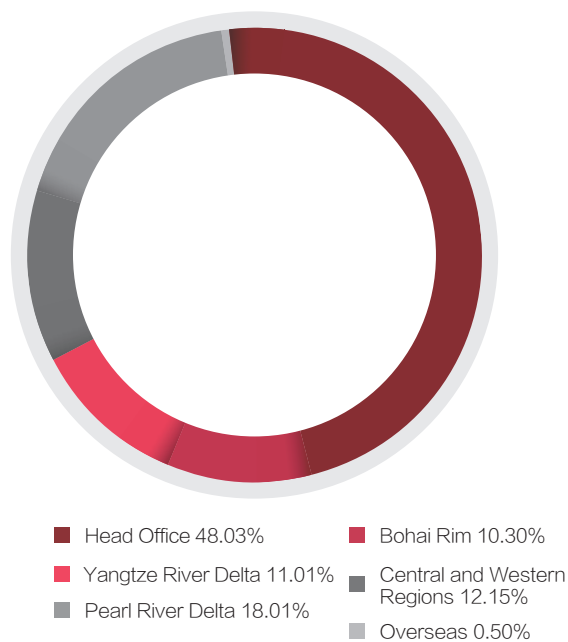
Region	Total assets	Operating income	Gross profit
Head Office	1,864,489,132	35,978,575	9,463,140
Yangtze River Delta	457,875,097	8,249,784	3,527,288
Pearl River Delta	806,733,938	13,492,076	7,426,787
Bohai Rim	568,343,853	7,712,246	1,798,970
Central and Western Regions	404,253,497	9,099,166	(1,076,927)
Overseas	40,225,119	372,809	119,838
Elimination among regions	(781,936,090)	–	–
Total	3,359,984,546	74,904,656	21,259,096

### Total assets by region

Unit: RMB100 million



### Operating income by region





## Segment Operating Results by Business Type

Unit: RMB'000

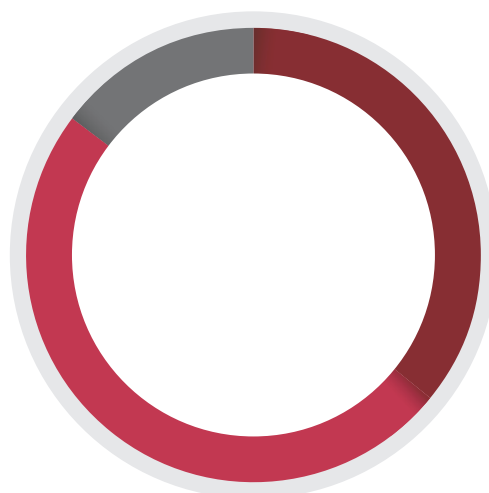
Business type	Total assets	Operating income	Gross profit
Corporate banking business	1,039,493,652	26,844,943	4,157,944
Retail banking and credit card business	907,116,715	37,122,836	9,472,265
Treasury operations and other business	1,413,374,179	10,936,877	7,628,887
Total	3,359,984,546	74,904,656	21,259,096

### Total assets by business category



- Corporate banking business 30.93%
- Retail banking and credit card business 26.99%
- Treasury operations and other business 42.08%

### Operating income by business category



- Corporate banking business 35.84%
- Retail banking and credit card business 49.56%
- Treasury operations and other business 14.60%

# Financial Statement Analysis

## Financial Position and Operating Results of the Group

### Changes of Main Financial Indicators and Corresponding Reasons

Unit: RMB'000

Item	31 December 2021	31 December 2020	Increase/ decrease over the end of the previous year (%)	Brief reasons
Total assets	3,359,984,546	3,027,971,997	10.96	Growth in loan volume
Total liabilities	3,125,483,791	2,809,822,356	11.23	Growth in deposits
Shareholders' equity	234,500,755	218,149,641	7.50	Net profit retained, payment for the perpetual bonds interests and payment of cash dividends
Net profit	17,476,384	13,812,011	26.53	In recent years, asset quality has been continuously optimized, and risk costs have dropped significantly in the year

### Information of the main items with changes over 30%

Unit: RMB'000

Major accounting items	31 December 2021	Increase/decrease over the end of the previous year (%)	Brief reasons
Cash and deposits with the Central Bank	331,312,342	32.90	The need to maintain reasonable liquidity at the end of the year
Investment gains	7,256,181	42.65	Investment gains of financial assets held for trading such as funds increased
Impairment losses on assets	25,485,025	(34.52)	In recent years, asset quality has been continuously optimized, and risk cost of loans was dropped significantly in the year

## Other Financial Information

### Major Off-balance Sheet Items

Unit: RMB'000

Item	31 December 2021	31 December 2020	31 December 2019
Loan commitments	32,754,125	19,849,038	10,906,661
Bank acceptances	355,920,934	346,144,738	240,208,599
Letters of guarantees	51,161,449	42,460,220	36,662,646
Letters of credit	54,855,657	49,772,430	47,378,219
Financial derivatives	2,446,778,985	3,224,624,720	4,551,624,678
Operating lease commitments	–	6,364,585	7,721,515
Capital commitments	3,422,959	3,211,040	2,872,833
Credit cards unused overdraft limit	807,857,673	700,836,850	645,225,188
Securities redemption obligations	3,085,808	4,479,622	3,734,478

Note: Capital commitments only include capital commitments that have been signed but not allocated, and the data for 2020 and 2019 have been restated.

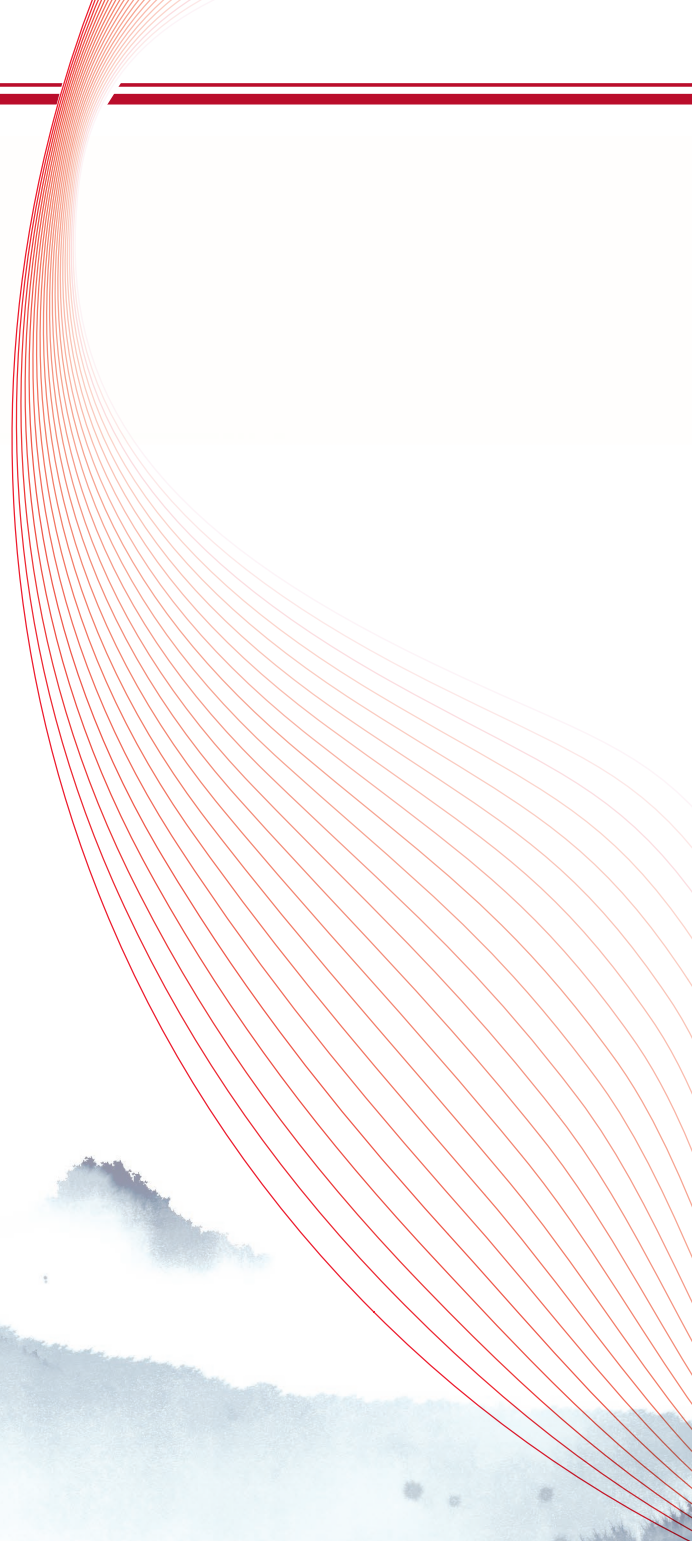
### Change in Off-Balance Sheet Interest Receivables

Unit: RMB'000

Item	Opening balance	Closing balance
Off-balance interest receivable	5,817,217	6,261,258

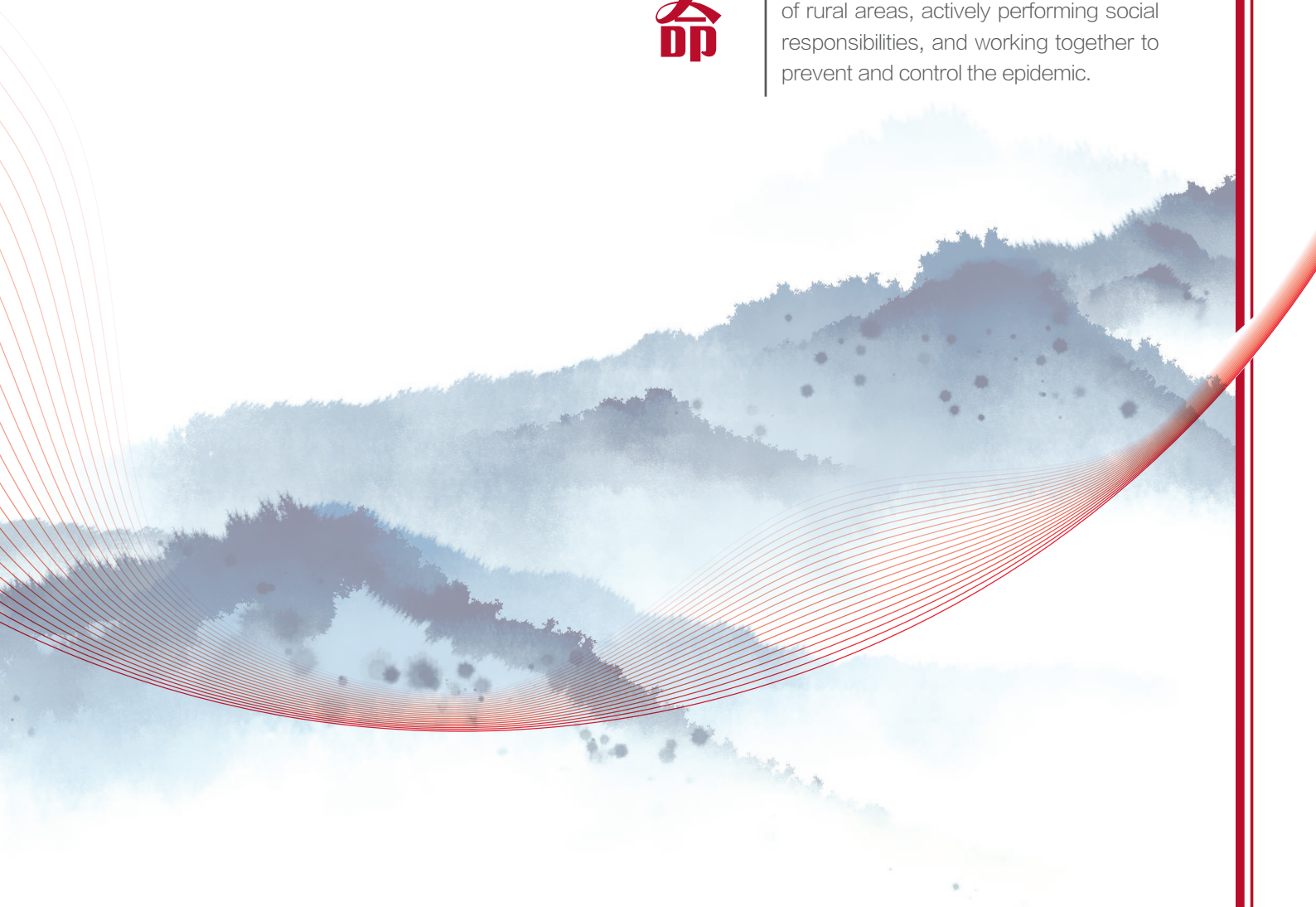


广发银行 | CGB



# 服务大局 担当使命

Focusing on major national strategies, we proactively integrated our own development into that of the country, to continuously improve the quality and efficiency in serving the real economy, and further serve the regional coordinated development. We insisted on the concept of finance for the people by vigorously promoting the development of inclusive finance, accelerating the development of green finance, fully supporting the revitalization of rural areas, actively performing social responsibilities, and working together to prevent and control the epidemic.





## Business Overview

### Corporate Finance Business

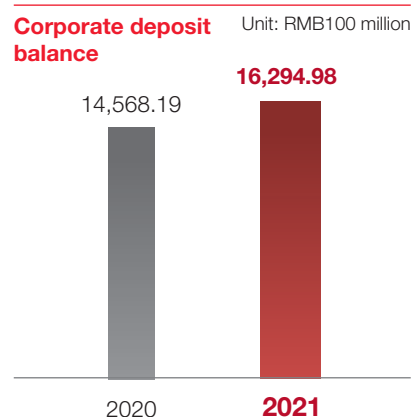
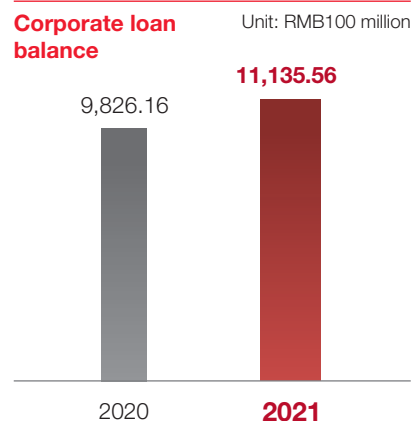
During the reporting period, the Bank thoroughly implemented the national development strategy, with the help of the China Life Group's resources in three segments of insurance, investment, and banking, provided proactive service in regional key strategies and coordinated development, actively supported the development of real economy, consolidated the corporate customer base, strengthened marketing towards strategic and institutional customers, insisted on innovation-driven business development, and continued to improve the quality and efficiency of corporate business.

### Corporate Deposits and Loans Business

Focusing on the key regions, sectors, projects and customers ("three keys and one core" for short), the Bank strengthened marketing, promoted implementation, emphasized on supporting services increased credit loan releasing to key regions, key customers, and key projects so that corporate loans maintained rapid growth, with increasing market share. At the end of the reporting period, the balance of corporate loans (including discounted amount) was RMB1,113.556 billion, representing a 13.33% increase over the beginning of the year. The Bank steadily optimized the loan structure and increased high-quality corporate loan volume. The balance of corporate loans at the 'A-level' and increased by around 1.07 percentage points from that in early 2021; the Bank accelerated the release of medium and long-term loans, and increased the balance of medium and long-term loans by about 5.21 percentage points from that in early 2021.

The Bank is committed to serving the real economy, and offering the credit loans to manufacturing industry for transformation and upgrading, and engaged in marketing key areas and major benchmark projects such as new infrastructure, new urbanization, and major projects ("Two New and One Major"), strategic emerging industries, high-end equipment manufacturing, the national economy, and people's livelihood. The Bank took the advantages of comprehensive finance, actively supported the development of the real economy, and made full effort to expand manufacturing enterprises that meet the national strategic orientation and regulatory requirements. Thus, the end-of-period balance of manufacturing loans increased by 21.59% from that in early 2021. The Bank formulated the regulation on due diligence waiver management of credit approvals in strategic emerging industries, issued marketing guidelines for new energy industries, and fully supported the development of emerging industries. At the end of the reporting period, the balance of loans to strategic emerging industries increased by 76.51% from that in early 2021. The Bank improved the "Dare to loan, Willing to loan, Able to

loan" long-term mechanism, implemented the due diligence waiver system, developed the CGB's Due Diligence Waiver Management Measures on Private Enterprise Credit Business, and insisted that "financial services should be equally available, applying credit policies to private enterprises and state-owned enterprises equally", helping to satisfy the credit requirements of private small and micro enterprises. At the end of the reporting period, the loan balance of private enterprises increased by 7.10% from that in early 2021, and the financing scale of private enterprises expanded steadily. The Bank took multiple measures to enlarge green credit release, focused on key sectors of the green industry, implemented major green loan projects with both ecologic benefit and environmental benefit in Taishan, Guangzhou, and other regions, and at the end of reporting period, the balance of green credit increased by 50.85% from that in the beginning of 2021; the Bank continued to improve green financial product innovation, explored green comprehensive financial service plans in various forms, and drove the high quality development of corporate finance business. Within the reporting period, the Bank won the "China Golden Tripod Award – Annual Green Finance Award".



The Bank strengthened the integrated comprehensive its marketing strategy of “customer + business + deposit”, and promoted the steady growth of corporate deposits through four major measures: “customer deposit increase, product-driven, asset linkage, and comprehensive finance”. The Bank continued to enrich the deposit product system, strengthened the comprehensive marketing capabilities of key products such as demand deposits, time deposits, large-denomination certificates of deposit, cash management, smart series, instant series, bond underwriting, investment-loan linkage, and corporate fund custody, and tapped the opportunities of coordinated investment and financing between insurance and banking in the whole chain of project funding. The Bank continued to improve the precipitation of customer settlement funds and structure optimization of deposit. At the end of the reporting period, the Bank's balance of corporate deposits was RMB1,629.498 billion, up 11.85% from that in the beginning of the year.

### Cross-border Finance Business

The Bank implemented the policy of “stabilizing foreign trade”, continued to deepen the integration of finance and technology, enriched the cooperation scenarios with the cross-border financial blockchain platform of the State Administration of Foreign Exchange (SAFE), and took the lead in realizing the scenario direct connection for “bank verification of service trade tax filing information” in the Greater Bay Area. The Bank and the General Administration of Customs signed the International Trade “Single Window” Cooperation and Docking Pilot Agreement to jointly promote the construction of international trade one-stop financial and insurance service functions and provide import and export customers with reservations for account opening, cross-border remittance, online letter of guarantee, and other multi-scenario services. The Bank stepped up financial support for new trade formats, launched CGB cross-border e-commerce exclusive financing product “CGB Commercial Loan”, and made full effort to develop a cross-border e-commerce B2C business platform to provide cross-border e-commerce customers with brand new experience.

The Bank actively promoted the strategic deployment of RMB internationalization. As the first commercial bank among the first pilot banks to launch the RMB Cross-border Payment System (CIPS) standard transceiver at domestic and abroad simultaneously, the Bank helped financial peers and enterprises to develop cross-border RMB business and promoted the high-quality development of real economy. During the reporting period, the bank-wide cross-border RMB settlement volume exceeded RMB140 billion. It was the Bank's first time to be awarded the honors of “Outstanding Institution for Product Innovation

and Cooperation”, “Advanced Participant in Business Migration”, and “Outstanding Participant in Operation and Management” issued by CIPS Co., Ltd.

At the end of the reporting period, the Bank provided enterprises with a total of approximately RMB160 billion in cross-border online convenience services, maintaining an advanced level of online cross-border finance.

### “Supply Chain+Bill” Business

In order to ensure that the industrial chain and supply chain work steadily, the Bank actively promoted linkage innovation of bills and supply chain financial business.

The Bank continued to upgrade and improve the functions of the “e-second bills” series of products to help improve the quality and efficiency of the industrial chain and supply chain. The Bank launched the smart discount version of “e-second discount 2.0”, extending the “second response” experience to the approval process, improving customer handling efficiency and service experience. The Bank actively participated in the innovation of bill products in the supply chain of the Shanghai Bills Exchange, and quickly completed system docking with the Shanghai Bills Exchange and supporting customized product solutions, enabling the coordinated development of the industrial chain. The bills of supply chain not only continued the “Second Loan” function, but also carried out a number of innovations in auto-response and payment, etc.

Focusing on high-end manufacturing, construction, medical health, and other key areas, the Bank connected with core enterprises, third-party supply chain platforms, and government data platforms. The Bank actively participated in the construction of the industrial chain of core enterprises. In 2021, the Bank built new relationship with 7 well-known supply chain platforms in order to provide efficient and convenient financing channels for medium, small, and micro enterprises on platforms' up – and downstream supply chain, which improved the convenience of customer acquisition. By using “industry + project” innovation service, the Bank implemented and approved several supply chain innovation projects, and created scenario-based, customized, and intelligent services for core enterprises in the supply chain.

At the end of the reporting period, the Bank's cumulative transaction volume of “e-second bills” exceeded RMB1,300 billion, and the cumulative online business volume of supply chain financing increased by 17.48% year on year. During the reporting period, the Bank was named the “Best Discount Institution” and the “Best Acceptance Institution” by the Shanghai Stock Exchange.

## Business Overview

### Cash Management Business

The Bank executed the strategy of “digital GUANGFA”, promoted integration of finance and technology further, and adopted the “channel + product + scenario” full-service strategy to promote the digital, intelligent, and scenario-based development of cash management business.

**Channels digitization.** The Bank launched the corporate online banking version 3.0, the “CGB Corporate Financial Products +” app, the insurance version of the cash management system, and its Warm version of its corporate mobile banking to create a multi-entry digital marketing tool and undertake 99% of the daily routine settlements and financing services of more than 300,000 corporate customers. The Bank was awarded the title of “Enterprise Standard Leader” in setting the corporate standards of online banking and financial enterprises by the PBOC among eight other ministries and commissions for two consecutive years.

**Product intellectualization.** The Bank introduced emerging technologies such as RPA process robots, API direct connection, and AI. Moreover, the Bank continued to upgrade the functions of the “Smart”, “Pool”, and “Insurance” series, built a “business intelligence marketing platform” to precisely match customer demands and achieve product smart marketing, won the “Excellent Cooperation Award” issued by the City Commercial Banks Clearing for two consecutive years, and won the “Excellent Project Award” for coordinated development issued by China Life Group in 2021.

**Scenario-based customer service.** On the basis of scenario-based services for 12 major industries in the smart city, the Bank focused on optimizing and upgrading the comprehensive service capabilities for industries such as people’s livelihood, manufacturing, insurance, bidding, and flexible employment. The insurance industry achieved full coverage of cooperation between central enterprises and insurance companies, and the bidding industry achieved full coverage of cooperation with public resource trading centers in the Greater Bay Area. The bank created a “C-G-B” industrial ecosystem with the help of scenario-based services and comprehensively enabled financial services to empower the real economy.

At the end of the reporting period, the Bank had 318.1 thousand corporate e-banking customers, with a customer increase of 51.4 thousand compared with the beginning of the year. During the reporting period, the Bank had a total of 54.0546 million transactions with a total value of RMB19.21 trillion.

### Inclusive Financial Business

The Bank resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council on developing inclusive finance and financial services for rural revitalization and established an Inclusive Finance Development Committee under the Board of Directors for the business planning and system construction of inclusive financial business. The Bank established a leading group at the senior management level for inclusive finance work to be responsible for the development and management of inclusive financial business across the Bank. During the reporting period, the Bank set up a rural revitalization Office under the Inclusive Finance Department at the Head Office to take charge of coordinating financial services for rural revitalization. The Bank promoted the improvement of inclusive finance mechanism construction in branches. Based on the core of online risk control of inclusive finance, the Bank enriched the online credit product system, increased the support for first-loan customers of small and micro enterprises, increased the proportion of inclusive small and micro credit loans, and organically combined credit due diligence waiver and non-performing tolerance, launched the inclusive Financial business marketing competition to promote the quality and efficiency of inclusive finance work. The Bank developed a series of systems for financial services for rural revitalization, clarified the differentiated assessment of agriculture-related credit, upgraded the “Poverty Alleviation Loan” product to the “Poverty Prevention Loan” product, launched a series of “Rural revitalization Loan” product plans, and strengthened and expanded the financial supports that linked poverty relief achievements with rural revitalization. The Bank upgraded the corporate mobile payment function of Jie Suan Tong cards, optimized the efficiency of Jie Suan Tong cards to attract customers and gain deposits, and increased the promotion of inclusive financial cards by allocating exclusive rights and interests to cardholders and enhancing assessment and training.

At the end of the reporting period, the Bank's balance of inclusive loans to small and micro enterprises was RMB135.826 billion, up 21.98% from the beginning of the year and 10.60 percentage points higher than the growth rate of other loans. Moreover, there were 261.9 thousand customers with a loan balance, up 14.6 thousand customers than year beginning. The interest rate of loans newly issued in the entire year was 6.37%, down 0.4 base point than year beginning, and the NPL ratio was 1.02%, down 0.43 percentage point than year beginning, achieved "two increases and two controls" as a result. The balance of the agriculture-related inclusive loans was RMB16.49 billion with an increase of 39.69% than year beginning. There were 186.5 thousand customers with a loan balance, up 34.5 thousand customers than year beginning. The balance of targeted financial loans for poverty alleviation was RMB16.697 billion, up 18.36% than year beginning, bringing 1.2534 million people out of poverty. The Bank issued cumulatively 273.4 thousand Jie Suan Tong cards (up 46.3 thousand cards than year beginning), including 43.844 thousand inclusive finance cards cumulatively issued.

During the reporting period, the Bank won many honors, including "Inclusive Finance Typical Example in Chinese Financial Industry (2021)" issued by the China Banking Association, "2021 Outstanding Cases of Financial Services for Micro, Small and Medium-sized Enterprises in Financial Services" issued by the China Association of Small and Medium Enterprises and the China Banking Association, "2021 Union Pay Card Innovation Cooperation Excellence Award" by China Union Pay, "2021 Annual Inclusive Financing Service Bank" rated by Chinese e-banking industry assessment, the "Best Inclusive Financial Service Innovation Award" issued at the 2021 Bank Digitalization and Fintech Innovation Summit, and our case study "Building Shuiyintong 2.0 to Upgrade Online Financing Services" was listed among the "Typical Cases of Inclusive Finance in China" by the PBOC.

## Investment Banking Business

The Bank insisted on promoting national strategies and continued to promote the light-asset transformation of its investment banking business. In order to strengthen support for the real economy such as manufacturing and green finance, the Bank assisted a number of enterprises in issuing rural revitalization bonds, green bonds, and old revolutionary area bonds by supporting major national strategies such as rural revitalization, green carbon reduction, and old revolutionary area revitalization. The Bank totally guided RMB7 billion market capital to invest in related fields and provided precise financial support for the development of the real economy; updated the whitelist of bond underwriting, bank-specific policy and added RMB76.138 billion debt financing instruments for non-financial enterprises, hitting a historically high of the Bank. Taking full advantage of the synergy between insurance and banking, the Bank launched the first insurance debt investment business plan "China Life Investment – Guangxi Communications Investment Debt Investment Plan (Phase II)", which drove RMB1.5 billion co-investment funds to meet the diversified financing requirements of customers. The Bank continued to strengthen empowerment of technology, and our construction project of the investment banking business system group won the first technology Progress Award of China Life Group and successfully realized the full online operation of the investment banking business.

## Corporate Customer Group

During the reporting period, the Bank, guided by the three-year action plan for corporate customers, focused on the high-quality development requirements of the "14th Five-year Plan" while focused on value, actively promoted the digitization of business processes, continuously enhanced product innovation and application, and continued to construct team building for customer managers, establishing a hierarchical and classified management system for customer groups, in order to vigorously consolidate the foundation of the customer group construction.

# Business Overview

## Strategic Corporate Customers

The Bank continued to deepen business cooperation with strategic customers, implemented list-based management, allocated differentiated resources, strengthened the joint marketing of the head office and branches, improved industrial professionalization service capabilities, and focused on providing comprehensive financial services to strategic corporate customers. During the reporting period, the Bank effectively strengthened the “head-to-head” strategic cooperation with strategic customers, and signed cooperation agreements with numerous central state-owned enterprises and leading enterprises, innovated supply chain financial products, and deepened cooperation with key industries such as construction, medical circulation, automobile, and communications. The Bank cooperated with strategic customers, improved the marketing management system for strategic customers, promoted the KYC (know your customer) work plans for strategic customers, implemented “one industry, one policy” and “one customer, one policy”, and continuously elevated customer synthetic value contribution.

At the end of the reporting period, the average daily balance of RMB corporate deposits of the strategic customers was RMB281.706 billion, representing an increase of 31.00% over the previous year; the balance of general loans for strategic customers was RMB177.118 billion, representing an increase of 12.70% over the beginning of the year.

## Institutional Corporate Customers

The Bank continued to promote the development of institutional business, made full use of the empowerment from Fintech, innovated and created a new model of professional services and development in the industry, and jointly launched a series of programs for digital institutions, such as digital finance, digital politics and law, digital villages, digital education, and digital labor unions to strengthen ecological customer acquisition, comprehensive service and light-asset transformation, improve customer service capabilities and value creation capabilities, and strive to create a “big financial ecosystem, a large political and legal ecosystem, a large rural revitalization ecosystem, a large education ecosystem, and

a large labor union ecosystem.” among other five “digital institutional ecosystems”, providing one-stop services for the government, enterprises and individuals in various business scenarios such as finance, politics and law, village community, education, labor unions, in order to improve the comprehensive income of institutional customers. As the joint bookrunner and joint lead underwriter, the Bank assisted the Guangdong Provincial People's Government in successfully issuing RMB2.2 billion of offshore local government bonds in Macao, signed a strategic cooperation agreement with the Guangdong Provincial Department of Human Resources to jointly launch exclusive financial service solutions to three projects: “Cantonese Cuisine Chefs”, “Cantonese Technicians” and “South Cantonese Housekeeping”, providing special financing, settlement, credit card, insurance products, and services; developed and launched the only provincial-level “bankruptcy case information management platform” with independent intellectual property rights, which can provide courts, bankruptcy administrators, creditors, and debtors with comprehensive services such as bankruptcy case handling, bond declaration, online conferences, and financing to help improve the business environment.

At the end of the reporting period, the number of institutional corporate customers increased by 15.46% over the beginning of the year.

## Key Corporate Customers

The Bank adhered to market orientation, built a three-dimensional synergy system of “customer + product + risk” based on the customer-oriented principle, and created a new marketing model of “integrated marketing, integrated services, and integrated configuration” to achieve effective resource integration, enhance the Bank's corporate business competition, and continue to expand core customer base. The Bank improved the customer marketing management system and strengthened the multi-level marketing model of head office-branch linkage, branch cooperation, and branch alliance. The Bank focused on strategic emerging industries, high-end equipment manufacturing, private enterprises, green finance, industrial upgrading, and other key industries, strengthened list-based management, project-based promotion, responsibility system implementation, and joint-system



communication, leveraged the insurance-banking synergy, and optimized product portfolios, strengthened the connection of customers' full life cycle financial services, and improved the comprehensive benefits of projects. The Bank focused on regional advantageous industries, comprehensively applied payment and settlement, supply chain finance, bond underwriting, corporate mergers and acquisitions, "investment and financing +" and other services to improve corporate financing capabilities and liquidity management.

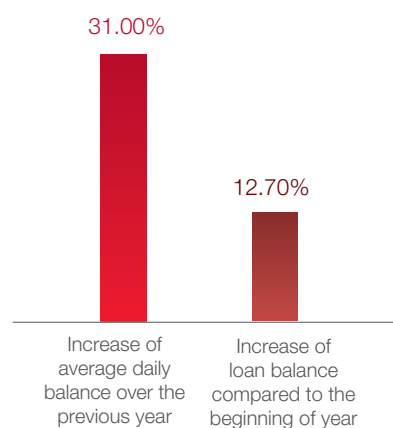
At the end of the reporting period, the number of key customers of the Bank had increased by 15.91% compared with the beginning of the year.

### Effective Corporate Customers

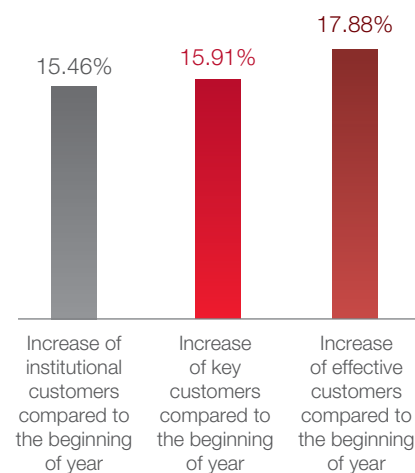
The Bank has continuously strengthened the construction of its customer groups, strengthened channel expansion, increased the allocation of special expenses for channel construction, and vigorously supported branches to develop channel of customer expansion, in order to achieve "bulk customer acquisition". As a financial service provider for the China Import and Export Fair (Canton Fair), the Bank provided comprehensive financial services to 1,200 exhibitors with the integration of online and offline exhibition models. The Bank strengthened market orientation and achieved "accurate customer acquisition". The Bank further promoted the integration of resources, strengthened the public-private linkage data collaboration, comprehensively promoted the marketing system of all employees, and deepened the "coordinated customer acquisition". The Bank strengthened technology empowerment, explored the relationship between upstream and downstream related customers, and gradually built an industrial ecological service model to achieve "ecological customers acquisition". The Bank strengthened product application, copied and promoted excellent cases, enhanced customer transaction settlement, and realized "transaction supporting customers". The Bank insisted on highlighting mass customer acquisition, professional services, online products, and refined management, continued to consolidate customer foundations, and improved customer efficiency through multiple channels. The Bank's customer base construction maintained rapid growth.

At the end of the reporting period, the number of corporate effective customers of the Bank had increased by 17.88% compared with the beginning of the year.

### Strategic customers



### Corporate customers



# Business Overview



## Business Topics

### Corporate Insurance-Banking Cooperation

The Bank's corporate business has always practiced the concept of "one customer, one China Life", adhered to the principle of "supporting the main business, mutual benefit to create a win-win situation", and built the cornerstone of differentiated services of "insurance-banking cooperation". Relying on China Life Group's comprehensive financial synergy advantages, the Bank integrates into the overall situation of national development, focuses on serving the real economy, and brings together the three major sectors: insurance, investment, and banking to form a comprehensive financial and insurance service system. On this basis, the Bank proposes a new development concept of "insurance financial service provider", committed to providing high-quality, full-process financial services for insurance institutions, creating a financial service ecosystem that features insurance-banking cooperation, and enhancing the ability of financial services to serve the real economy.

**Serve the national strategy, assist the real economy.** The Bank continued to provide in-depth collaborative services in key national strategic areas such as infrastructure, energy and power, advanced manufacturing, health care, and green finance. Focusing on the diversified needs of customers, the Bank effectively combined insurance investment/financing business with bank credit, settlement, transaction banking, asset custody, bond underwriting, insurance, annuity, wealth management, and other businesses to create a model in which insurance, investment, and banking are fully coordinated to jointly serve the real economy. At the end of the reporting period, the cumulative scale of cooperation under the "China Life-CGB" comprehensive financial service model exceeded RMB410 billion, and the Bank focused on major projects under national development strategies such as the "Belt and Road Initiative", Beijing-Tianjin-Hebei, the Yangtze River Economic Belt, and the Greater Bay Area. The Bank greatly supported national supply-side reform and the SOEs transformation and development.

**Support technology innovation, serve modern industrial system.** The Bank cooperated with China Life Group to implement the national strategic deployment of strengthening technology innovation and has given full play to the positive role of the banking and insurance industries in serving technology innovation, creating a multi-level, professional, and specialized technology innovation financial system. The Bank focused on hard technology industries with physical manufacturing, such as new energy, artificial intelligence, autonomous driving, advanced

manufacturing, biomedicine, and medical technology, provided full life cycle customized comprehensive services for the differentiated financial requirements of technology enterprises from the seed stage through the start-up and growth stages to maturity, cooperated with China Life's investment sector to provide a one-stop solution for the "equity + claims" financing requirements of technology enterprises, and supported high-level technology enterprises to become self-reliant and self-dependent.

**Benefit people, promote public well-being.** The Bank, together with China Life Insurance Co., Ltd. and China Life Property & Casualty Insurance Co., Ltd., actively implemented the national and regional development strategy, actively integrated into the supply-side structural reform of the financial industry, and met the diversified financial requirements of different types of corporate customers. During the reporting period, the Bank provided a package of comprehensive insurance protection services including personal insurance for employee group and corporate property insurance for more than 10,000 corporate customers and provided insurance protection support in major livelihood projects such as "Beijing Inclusive Health Insurance".

**Innovate product models, build a comprehensive financial brand.** In terms of premium fund settlement, the Bank focused on the transaction scenarios of premium collection and payment, launched the "Collection and Payment Insurance" product, and provided professional premium fund settlement services. This product is mainly used for real-time collection of initial premiums, batch collection of renewal premiums, and real-time payment and batch payment of insurance claims. In view of the high-frequency, large-volume, and high-time-effect business characteristics of insurance institutions, this product extends the functions to make one or more entry or exit transactions collectively or in batches at the end of day to ensure the timeliness of fund processing. During the reporting period, "Collection and Payment Insurance" served a total of 33 insurance institutions, and achieved full coverage of state-owned insurance institutions including China Life Insurance Co., Ltd., People's Life Insurance Co., Ltd., and Taiping Life Insurance Co., Ltd. There were 49,739,100 transactions with a total transaction amount of RMB269,594 million. The Bank successfully applied the Bank's advanced experience of serving China Life to other insurance companies in the market and established the brand identity as a financial service provider in the insurance industry with "specialty online, service online, and brand online".

### Serve the Overall Interests, Stabilize the Real Economy

During the reporting period, the Bank seized the opening of “14th Five-year Plan”, guided by CPC construction, actively implemented the decisions of the central government and the national and regional coordinated development strategy, continued to actively serve national strategic regions, and supported the construction of key projects and the development of the real economy. The Bank gave a keynote speech on financial support for the development of the Greater Bay Area at the Securities Times 2021 China Banking Annual Conference and won the “2021 Greater Bay Area Outstanding Service Bank Tianji Award”.

**Regional synergy, implement major national regional strategies.** The Bank established a joint meeting mechanism, regularly organized national major regional special work conferences, promoted system optimization and innovation, integrated resources, optimized services, strengthened regional coordinated development, supported the development of various regions’ real economy, enhanced the regional overall competitiveness and influence, and supported the high-quality construction of major national areas such as the Greater Bay Area, Beijing-Tianjin-Hebei, the Yangtze River Delta Integration and Yangtze River Economic Belt, the Shenzhen Socialist Pilot Demonstration Zone, and the “Two Cooperation Zones”.

**Improve services, support national key projects.** The Bank actively participated in the construction of major national and provincial projects and strengthened and provided resource support for key customers, major project reserves, and marketing expansion in strategic regions. The head office and branches collaborated in green finance, strategic emerging industries, “Two New and One Major”, and people’s livelihood sector marketing. In total, the Bank implemented more than 80 major credit projects at the national and provincial levels.

**Focus on industries, support the high-quality development of the real economy.** The Bank facilitated the development of the real economy and allocated more credit resources to the key areas and weak links of the national economy and people’s livelihood. The Bank increased credit support for small, micro, and private, manufacturing, green finance, and other fields to reduce financing costs of enterprises. The Bank continued to strengthen research and exploration on the “Two New and One Major” industries, developed the CGB “Two New and One Major” Industry Marketing Guidelines, selected the list of major public companies in the new infrastructure and new urbanization industries and the list of major projects in some key provinces and cities in China, and clearly added guidance for “Two New and One Major” industries in our credit policy, and improved the service level in key areas of the national economy and people’s livelihood.

### Convenience Upgradation, Promote Domestic and International Dual Circulation

In order to implement the policy of “stabilizing foreign trade” and serve the new development pattern of domestic and international dual circulation, the Bank actively promoted cross-border financial facilitation, continued to enrich the application scenarios of emerging technologies in the financial field, empowered entities, and supported people’s livelihood. During the reporting period, through cross-border financial online convenience services, the Bank provided domestic entities with a cumulative cross-border transaction volume of approximately RMB166.4 billion.

**Product distribution, achieve higher efficiency for operation.** The Bank launched the Cross-border Instant Connect product, through the comprehensive integration of finance and technology, to create 9 sub-products including Instant Licensing, Instant Ordering, Instant Tariffs, Instant Forex Financing, Instant Guarantee, Instant Forex Deposit, Instant Settlement, Instant Remittance, and Instant Delivery, forming an online product integrating a series of functions and services such as cross-border collection and payment, tariff payment, trade financing, and international settlement, in order to accelerate the efficiency of cross-border business processing for import-export enterprises, and realize the online, paperless, and electronic informatization of the whole process of cross-border settlement and financing business.

**Direct connection for platforms, service Upgradation for the real economy.** The Bank closely follows policies to help small and medium-sized enterprises solve financing dilemmas. In the Greater Bay Area, the Bank is the first to realize direct connection with the SAFE cross-border financial blockchain service platform, and the combined application of blockchain emerging technology and traditional trade financing has been further improved. During the reporting period, the Bank formally signed the International Trade “Single Window” Cooperation and Docking Pilot Agreement with the General Administration of Customs, to jointly promote the construction of the “Single Window” financial and insurance service functions for international trade, and provide safer, high-quality, convenient cross-border financial services to import-export enterprises.

## Business Overview

### Retail Finance Business

During the reporting period, the Bank focused on a “highlighting retail” strategic positioning, accelerated the transformation of retail business, and deepened comprehensive financial advantages as a group and credit card business advantages. The Bank insisted on the philosophy of “accompanying customers to grow”, improved customer tiered, classified, and grouped operations, and helped customers increase their value; the Bank strengthened technology empowerment and digital drive, improved the ability of big data analysis to support real-time business, risk monitoring, and management decision-making, and promoted the construction of “one carrier with two wings” service model; the Bank strengthened the competitiveness of large wealth management, consumer finance, and credit card businesses and enhanced comprehensive service capabilities. The Bank further improved systematic, comprehensive, and digital operation and management capabilities of retail business.

### Wealth Management Business

The Bank's wealth management business was established in the advantages of segment operation, strengthened horizontal and vertical synergy, continued to explore multi-channel integrated marketing. Firstly, public-private linkage: The Bank launched exclusive rights service of “Gathering Wealth Club” and “Gathering Wealth” investment & financing services to senior management of enterprises to enhance the comprehensive financial service capability of high-value customers. Secondly, dual-card linkage: The Bank continued to enrich wealth management, funds, insurance, and other products on the “Discover Wonders” app, and used big data models to strengthen precision marketing and attract high-quality credit card customers. Thirdly, insurance-banking synergy: The Bank cooperated with members of China Life Group to launch the “Huijuhe” financial service, which drove the growth of four business segments: personal AUM, intermediary business revenue, net increase in private banking customers, and installment sales insurance. Furthermore, cross-border linkage: During the reporting period, the Bank was successfully selected as one of the first batch of pilot banks for the “Cross-border Wealth Management” and became the only bank head office approved to open current account insurance facilitation business, creating favorable conditions for better provision of cross-border asset allocation services to customers.

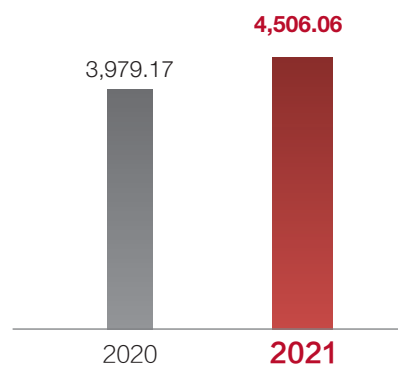
The Bank's personal deposit balance was RMB435.97 billion, an increase of 16.98% over the beginning of the year. With the “CGB Select” customized funds as an important starting point, the sales volume of non-monetary funds reached RMB40.124 billion, a year-on-year increase of 169.75%. During the reporting period, the Bank won honors such as the “Best Senior Financial Services in China” rated by The Asian Banker and the “Golden Award | Best Private Bank in China in 2021 – Best Risk Management Award” issued by the Asia-Pacific Fortune Forum.

### Retail Credit Business

Focusing on the strategic positioning of “highlighting retail”, the Bank vigorously developed inclusive finance, launched products such as Mortgage Easy High-quality Customer Project, and online products of credit operation loans such as E-Second Loans for small-micro enterprises, accelerated the expansion and quality improvement of new operating loans, and continued to optimize E-Second Loans, Wonderful Loans, and Good at Spending products,

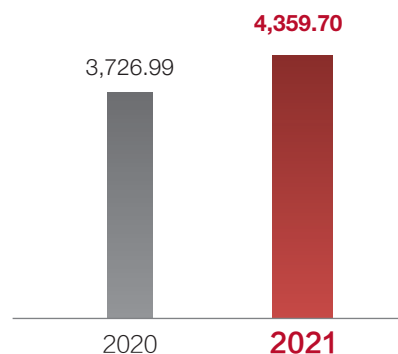
Individual loans

Unit: RMB100 million



Individual deposits

Unit: RMB100 million



improving product competitiveness; the Bank accelerated digital transformation, by using big data technology and marketing tools to strengthen platform and data docking, and establish customer response rate, customer loss early warning and other models. Other technological tools has been also used to improve “new customer acquisition, customer activation”, which are SMS for precision marketing, and employed mobile banking, AI robots, etc.; the Bank fully upgraded the insurance-banking collaborative product system, including “Enjoy Loans”, “Mortgage Loans”, and “Annuity Loans” to strengthened the collaborative linkage mechanism for customer-based, integrated comprehensive financial services.

At the end of the reporting period, the Bank’s retail credit business developed steadily in quality and efficiency, with the balance of personal loans at RMB450.606 billion, an increase of 13.24% over the beginning of the year, where, the balances of domestic RMB self-operated credit consumer loans, self-operated credit business loans, and mortgage loans increased by 93.76%, 90.86% and 16.69% over the beginning of the year respectively. During the reporting period, the Bank won honors such as “2021 Excellent Competitive Inclusive Finance Practice Bank” and “Innovative Achievements in Social Services in the Field of Digital Finance”.

### Credit Card Business

The Bank’s credit card business followed the development trend of consumer finance, leveraging core advantages of insurance-banking synergy, deep integration, and cooperation with other retail businesses and continued to pursue high-quality development way of comprehensive finance. The Bank’s credit card business, based on customer value and technology-driven development, deepened the strategic execution of the “rejuvenation of customer base” initiative, precisely located target customer groups, continuously accelerated product innovation, strengthened refined cost management, enhanced asset quality control, and realized high quality business development while improving customer experience.

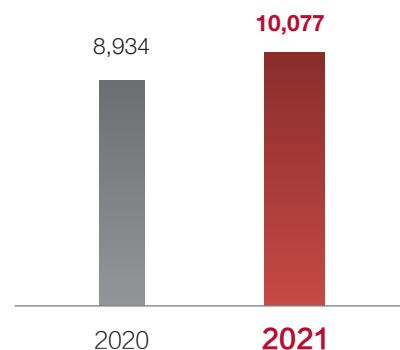
**The quality and efficiency of real economy was enhanced in response to the coordinated development strategy of national key regions.** In the Greater Bay Area, the Bank continued to upgrade the inclusive and convenient discounts of the CGB UnionPay Guangdong-Hong Kong-Macao Travel Credit Card, made full use of the advantageous merchant resources in Hong Kong and Macao, promoted consumption in the Greater Bay Area in green travel, shopping, and convenient card application, and promoted the financial connectivity and

consumption integration in the Greater Bay Area. In the Yangtze River Delta and the Yangtze River Economic Belt, the Bank provided powerful auto financial services for new energy vehicle companies and built a brand-new automobile financial ecosystem that integrates “online and offline” with the trinity platform of “Discover Wonders app + Official WeChat + Mini Program”.

**“One city, one policy” strategy deepened the differentiated business layout.** Considering regional characteristics and urban features, the Bank developed diverse card products, matched scenario marketing events through the platform capabilities of the Discover Wonders app, closely matched scenario rights with regional characteristic consumption, worked together with local characteristic merchants to deploy preferential rights and interests, created a closed-loop ecosystem of food, drink, and entertainment financial services, actively supported local people’s livelihood, promoted local consumption upgrades, and boosted regional economies.

**The strategy of focusing on rejuvenate customer base led product innovation.** Focusing on young white-collar customers’ travel, catering, online shopping, and other daily consumption activities, the Bank launched the Multi-Discount Card with cashback discounts, and the Cultural Card featuring Chinese Style culture, and actively built a bridge with young customers; the Bank cooperated with Huawei to issue the Huawei Card, being the first to create the ultimate service experience of instant consumption and instant cashback; the Bank strengthened online operations, continued to drive customers to bind the Discover Wonders app and third-party payment, and fully occupied the online consumer financial service market; the Bank launched Daily Discount Card, being the first credit card whose new customer enjoys preferential overdraft interest rate, bringing new financial benefits to the people.

Credit cards issued Unit: 10 thousand





## Business Overview

**Accelerating digitization empowered new technology engines.** Based on big data technology, integrated computing platforms, machine learning, and other cutting-edge technologies, with the core goal of serving customers and empowering operations, the Bank built a digital smart marketing management platform. The Bank created a “digital, intelligent, online” intelligent risk control system, expanded biometric technology, intelligent robots, and other technical tools to various fields such as identification, anti-fraud, scenario expansion, model optimization, and intelligent operation. The Bank actively applied intelligent technologies to improve the level of intelligent services and build a complete set of leading intelligent service systems covering applications such as voice service robots, online text robots, and intelligent knowledge bases.

At the end of the reporting period, the Bank issued a total of 101 million credit cards, an increase of 12.79% over the beginning of the year. There were 66.84 million registered users of Discover Wonders app cumulatively, of whom, 45.54 million users bound their credit cards with the app. The Bank was still leading the industry in terms of the number of new credit cards, yield, overdrafts per card, and other core indicators. The Bank's NPL ratio was lower than the industry average, its assets had good quality, and the Bank had coordinated development of efficiency, quality, and scale. During the reporting period, the Bank's credit card business won many honors, including the “2021 Most Competitive Brand”, “2020 Product Innovation Award”, “Annual Outstanding Credit Card Award”, “Annual Credit Card Center Award”, “UnionPay Network Transaction Outstanding Contribution Award”, “2021 Product Joint Innovation Contribution” Award”, “American Express 2020 Excellent Partner Award”, “Best Business Travel Credit Card Service”, “Fintech Award”, “Mobile Banking Award”, “2021 Human Resource Management Excellence Award”, “Best Technology Application Customer Center Gold Award”, “Best Channel Application Customer Center Gold Award”, “Advanced Entity for Diversified Financial Dispute Resolution” and “Guangdong Annual Public Welfare Action Award”.

### Internet Financial Business

The Bank released Mobile Banking 7.0 and Cloud Store 2.0 smart dual-core. After rolling out “one phone, one bank” mobile banking, the Bank innovatively launched the cloud store online studio to empower the majority of front-line personnel, established a “one employee, one bank” business model, further solidified the “one carrier with two wings and two engines” new development pattern, and formed a systematic, standardized, and digitalized “online competence center” that is a finished product that's ready-to-use, which integrates online channel operation,

user operation, content operation, digital application, data infrastructure support, “cloud series”, intelligent customer service and sales, online service support, experience design, and other capabilities to fully support online channel operation and promote first-line business model transformation and upgrading.

During the reporting period, the Bank actively promoted the construction of a new online digital business transformation pattern of “one carrier with two wings and two engines” with online channels as the carrier, online front-line operation and online channel operation as the two wings, insurance-banking cooperation and data drive as the engines, and value creation and high-quality development as goals. **In terms of insurance-banking synergy**, the Bank established a WeChat and mini-program China Life Alliance service and continued to deepen the integrated financial services of “one customer, one China Life”; online banking created “1+N”, “616” China Life Customer Festival, and the “Wealth Life Zone” online main venue. Meanwhile the Bank linked its cloud store with sub-venues such as wealth management, loan, and mall to form a matrix of customer festival venues, and in particular, during the celebration of the 100th anniversary of the CPC founding, the Bank carried out joint brand communication with a CPC themed skin and sharing terms, effectively demonstrating the political position and brand influence of central financial enterprises. In terms of online services, the Bank made efforts to build online cross-border financial business in the Greater Bay Area and introduced scenario applications such as meal tickets and business travel in mobile banking; the Bank launched mobile banking, personal online banking, official website, and other omni-channel age-appropriate and barrier-free services; the Bank built a variety of digital precision marketing tools, such as the newly-built Smart Financial Butler, and branch customer group area; the Bank built new a content operation platform and front-end customer display capabilities to fully implement the experience revision on the five mobile banking pages. **In terms of digitization**, the Bank upgraded various services and the data management cockpits of Cloud Store 2.0, built new digital core applications such as marketing tips, realized the interconnection of mobile banking, cloud store, and WeChat banking, and formed a prototype for “cloud” service platforms. With the continuous deepening of digital operations, the Bank simultaneously improved its precise reach and refined operation capabilities. The mobile banking scenario client attraction and precision marketing contacts had 1 billion exposures cumulatively, and added nearly 14 million marketing opportunities. The sales volume through the recommendation model accounted for nearly 30% of total sales volume by mobile banking channels.

At the end of the reporting period, the Bank's mobile banking customers increased by more than 16%, and channel sales accounted for over 80% of total sales; there were more than 10,000 cloud stores opened, with cumulative transactions amounting to more than RMB100 billion. The Bank's online financial business won 12 industry awards, including the "2021 Innovation Achievements in Fintech and Digitization", the 2021 Financial Digital Marketing Innovation Competition "Grand Glory Award", the "Intelligent Marketing Silver Award", the CFCA "Digital Financial Integration Innovation Award", the 2021 Financial Industry Intelligence Financial International Forum & the 10th Navigation China "Golden Wisdom Award", the annual "Outstanding Mobile Banking app Award", and the "Outstanding Financial Service Innovation Award".

### Retail Customer Group

During the reporting period, the Bank strengthened its systematic management of its retail customer group and intensified in-depth operations in full cycle, full linkages and full channels. As a customer based bank, customer portrait

has been constantly optimised, precision marketing tools has been enriched, existing customer source has been digged, customer development has been strengthened.

**Improve customer service capabilities.** The Bank upgraded its products, activities, and rights and interests system for segmented customer groups, released the Freestyle Life pension financial brand, upgraded pension financial services for all age groups, and launched the exclusive "Lucky Card" debit card for young customers to meet the differentiated needs of customers.

**Enhance scenario ecology construction.** The Bank strengthened the integration of financial services and customers' high-frequency life scenarios, added products or services such as membership, points, rights, malls, online insurance, created more education, business, government, and enterprise service solutions, and built a B2B2C service model to provide customers with more accurate and considerate integrated services.

**Channels synergy and integration.** The Bank accelerated its online business, enriched customer service contacts, released corporate its WeChat account, upgraded Mobile Banking, Discover Wonders, and Customer Manager Cloud Stores among other apps, built customer digital connections, continuously optimized the customer experience, and provided customers with more convenient and efficient financial services.

At the end of the reporting period, the Bank managed customer assets of RMB731,144 million with a 15.81% increase; there are 1,015,400 wealthy or above level customers, an increase of 13.34% over the beginning of the year.



# Business Overview



## Business Topics

### Retail Insurance-banking Cooperation

The Bank cooperated with members of China Life Group, adhered to the integrated financial service concept of “one customer, one China Life”, sufficient used the benefits of the group’s integrated financial synergy. Base on the full life cycle of customers, the Bank used “products, scenarios, and technologies” to enable special advantage and continuously improved the quality and efficiency of financial services.

#### Mechanism empowerment for mutual benefit.

The Bank regarded integrated finance as a highlighting strategy, and gradually upgraded the “two-way penetration, mutual benefit, and win-win” synergy, promoted system interconnection, service interoperability, and product integration, improved the insurance-banking coordinated sales and service system, promoted and replicated the pilot experience, and steadily enhanced the contributions of synergy business, creating new momentum for the Bank’s business development.

#### Product empowerment to upgrade integrated service.

The Bank enriched and upgraded synergistic credit products, strengthened the application of big data, expanded the Annuity Loans customer strategy, and realized precise credit enhancement of annuity customers. At the end of the reporting period, the Bank granted to nearly 45,000 annuity customers the credit amount exceeding RMB6 billion.

#### Scenario empowerment to broaden services.

Focusing on the value chain of insurance customer scenarios, the Bank upgraded products for new orders, renewals, and claims settlement scenarios; considering the needs of car owners and customers, the Bank launched the Xin Che Bao product to provide customers with diversified services. At the end of the reporting period, the Bank had more than 5 million integrated retail financial service customers, with over RMB80 billion assets under management (AUM).

#### Technology empowerment to improve service experience.

The Bank continued to optimize the service experience of online channels, optimized management and marketing tools, realized personalized recommendation of integrated financial products to collaborative customers, upgraded the mobile banking “China Life Alliance”, launched its WeChat version and the mini program version, and deepened integrated financial interconnection.

### Product Innovation for Wealth Management Value Growth

During the reporting period, with focusing on customer needs, the Bank continued to enrich the product shelf of wealth management business and built a full-term multi-strategy product system. The introduction of self-developed and consignment products together led to an increase in AUM balance of nearly RMB100 billion, and its increase rate ranked high among joint stock banks.

#### Net value wealth management scale raised more than doubled.

By reconstructing the wealth management product shelf, the Bank built the “intra-bank + inter-bank” full product system. On the basis of self-developed wealth management, the Bank introduced a number of wealth management products from the wealth management subsidiaries with terms ranging from 1 day to 24 months. The product strategy includes cash management, pure debt, non-standard+, structured, multi-asset strategy, mixed FOF, and other product lines for various needs, covering different risk and return characteristics of PR2-PR4 and helping the rapid growth of net value wealth management business.

#### Build “CGB Select” optimizing system for fund selection.

Customer benefits as purpose, the Bank adopted a high-quality control and full life cycle management mechanism to select outstanding funds and help investors capitalize on investment opportunities. At the end of the reporting period, the Bank’s non-monetary fund holdings increased by more than 70% over the beginning of the period.

#### Innovative breakthroughs in cross-border business.

The Bank was shortlisted for the first batch of pilot banks for Cross-border Wealth Management and took the lead in successfully launching the first southbound – northbound trading business in October to meet the diversified and personalized wealth and financial demands of customers. Cross-border Wealth Management business opportunities and synergy within China Life Group boosted the development of Great Bay Area financially by leveraging an optimized network, high-quality products, and professional teams.

### Lead High Quality Development of Credit Card

More than 100 million credit cards have been accumulatively issued by the Bank. As the industry enters a new development stage, credit card business steadily assumes the responsibilities and duties as a leader in the “first echelon”. The Bank has transformed the entire management model in multiple layers such as the models of services, risk control, channels, and marketing. The Bank has built Credit Card Center with unique features in multiple dimensions such as experience, security, products, and services and pioneered a new way of operation management for the credit card industry in the new development period.

**Credit card business provides high-quality financial services.** The Bank implements the major decisions of the CPC Central Committee and provides customized, high-quality, safe, and reliable credit and payment services for hundreds of millions of users across China. To enhance service experience, financial technology was used to create differentiated experiences, and to meet customer needs better. Through the seamless connection between technology and market demand, the Bank’s credit card has contributed uniquely to a consumption boom.

**Credit card business boosts financial consumption.** With the first credit card that meets international standards, the first female exclusive credit card, the first airline industry co-branded card, and more, the Bank is leading the iteration of credit card products. The Bank initiates customer-specific brand events to drive the trend of credit card benefits for the people, and the unique features of our products and events become customers’ first impression, helping them distinguish CGB credit cards among a homogeneous market. In 2021, the Bank optimized the functions and benefits of classic products like True Love Card, Airline Card, and Owner Series Cards. Our products offer youthful colors to deliver friendship and youthful attitudes to generation Z and capitalize on opportunities with the new generation. Business planning with customer value are the crux of improving the resonance of credit card product design, event services, and customer needs. According to the multiple preferences of customers, the Bank develops differentiated channel strategies and continuously transforms to digital channels in the light-asset model. The Bank advances the strategy of “one city, one

policy”, develops credit card business according to the characteristics of different cities, and uses credit consumption methods to help inclusive finance in various places.

**Credit card business facilitates the transition to integrated finance.** As the pioneer of the Bank’s retail transformation, the Bank’s credit card business provides financial services meeting customer’s integrated demands, “people-based, people benefiting”, realizes the transformation to “profit + retail attraction service center”, and makes retail business bigger and stronger.

# Business Overview

## Financial Market Businesses

The Bank focused on the strategic positioning of “better financial market” guided by high-quality development, resolutely implemented the national strategy, actively served the real economy, steadily developed inter-bank credit, continuously optimized business models, continued to consolidate customer base, expanded multichannel peer cooperation, and steadily developed financial market business.

### Financial Institution Business

The Bank continued to strengthen the expansion and maintenance of customer relationships with financial institutions and expanded the depth and width of cooperation with financial institution customers. The Bank continuously improved the credit management mechanism for financial institution customers, strengthened system construction, and consolidated the foundation of internal control and compliance; based on the principles of unification, standardization, and marketization, the Bank manages the entry of financial institutions' counterparties; the Bank adheres to technology leadership and digitization and uses big data technology to build a panoramic customer view, enabling precision marketing to customers.

At the end of the reporting period, the Bank's financial institution clients have included banks, wealth management subsidiary corporations, insurance firms, securities firms, trusts, funds, financial leases, financial companies, auto financing companies, and consumer financing companies; the Bank established SWIFT RMA relationships with 1,094 financial institutions in 97 countries and regions around the world; in terms of the total number of CIPS indirect participating customers, the Bank ranks the 11th among the 75 direct participating banks; the Bank has signed comprehensive cooperation agreements with GF Securities and OCBC Bank.

## Financial Market Business

The Bank actively carried out proprietary trading, market making, and proxy trading services, and provided a wide range of customer investment and hedging trading services, including exchange rate, interest rate, and precious metals. The Bank actively implemented major national strategies, served the real economy, supported local government bond underwriting and distribution, investment in creditor rights and corporate foreign exchange trading services in the key national development regions, such as the Greater Bay Area, the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, and the “Belt and Road”.

As a first-tier open market agent, a SHIBOR quotation bank, and an underwriter for government bonds and financial bonds of policy banks and also a market maker for RMB exchange rates, bonds, derivatives, bills, and precious metals, the Bank actively participates in the domestic financial market. During the reporting period, the Bank won many honors, including the “Annual Market Influence Award”, the “Market Innovation Award”, “Excellent Bond Underwriting Institution”, “Outstanding Local Bond Underwriting Institution in the Inter-bank Market”, “Excellent Member Entity”, and “Excellent Banking Trader” of the Shanghai Commercial Paper Exchange.

The Bank highly focused on empowerment of financial market business by science and technology. The “Foreign Exchange and Precious Metals Quantitative Market Making and Trading Project” won the second prize of the PBOC Financial Technology Development Award, and the “Unified Management Platform for Financial Market Transactions” won the second prize of China Life Group Technology Progress Award.



## Asset Management Business

The Bank thoroughly implemented the decisions of the CPC Central Committee on preventing and defusing financial risks and effectively improved our position. By “focusing on rectification and stress reduction, focusing on risk mitigation, and focusing on mechanism construction”, the Bank returned to basics of wealth management business. The Bank actively implemented the new regulations on asset management and supporting policy requirements and promoted the net worth transformation of wealth management products in an orderly manner. At the end of the reporting period, the Bank not only reported and filed the assets and products involved in the “one bank, one policy” cases, but also reduced the stress in existing wealth management business and the product net worth transformation, and achieved an increase in scale of net worth wealth management products proportion from 37.58% to 95.72%.

During the reporting period, CGB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was successfully opened, laying a solid foundation for the high-quality development of the Bank’s asset management business. For the business development of CGB Wealth Management, please refer to “Main Holding Subsidiaries”.

## Asset Custody Business

“Compliance, enhanced capabilities, characteristics, and cooperation” are important steps for operating work, the Bank enhanced product innovation, strengthened resource integration, and improved operational efficiency, thus the Bank’s custody business maintained high-quality development. During the reporting period, the Bank deepened its cooperation with the China Life Group to support China’s new development pattern and implemented numerous major custody projects in strategic regions such as the Greater Bay Area, the Yangtze River Economic Belt, and the Beijing-Tianjin-Hebei region to support the development of the real economy. In terms of cross-border custody business scale, the Bank ranked first among peer joint-stock banks and rolled out the first QFLP (Qualified Foreign Limited Partner) custody business. The Bank’s public fund custody business achieved breakthrough development: at the end of the reporting period, the Bank’s public fund custody size increased by more than RMB110 billion over the beginning of the year. The Bank obtained the futures margin depository qualification on the Shanghai Futures Exchange and further improved business development qualifications. The Bank’s cross-border business platform and new-generation asset custody system won the first technology progress award of the China Life Group.

At the end of the reporting period, the asset custody scale of the Bank was RMB3.30 trillion. During the reporting period, the accumulated fee income from custody business was RMB613 million.

# Business Overview



## Business Topics

### Insurance-Banking Cooperation for Financial Market

The Bank operated its financial market business, based on “One China Life”, and earnestly implemented the China Life Group’s comprehensive business strategy deployment, actively integrated into the Group’s business cooperation ecosystem, and continued to strengthen product cooperation and innovation to improve efficiency of insurance-banking cooperation.

**Collaborative empowerment, complementary advantages in capital transactions.** Under the premise of compliance with connected transactions and market fairness, the Bank and China Life Group members are subject to each other’s liquidity priority support to provide services of high-quality order transaction for group members, and fully exchange market views and technologies.

**Technology empowerment for integrated financial development.** Financial advantages have been fully used to support real economy development, and a number of major projects have been implemented in the fields of infrastructure, green low-carbon industries, and rural revitalization strategies; relying on key products such as insurance claims and equity investment plans, the Bank continued to make efforts to achieve scale and profitability growth; focusing on the China Life Group members, the Bank continued to enrich and optimize value-added services such as custody assets public opinion monitoring, continuously promoted the optimization and upgrading of custody business systems, and constantly deepened the close relationship of custody business cooperation within the Group through service innovation and technology empowerment.

### Business Innovation Promoted the Diversification Development of Asset Custody Business

The Bank’s custody business gave full play to the Group’s comprehensive financial advantages to promote business development, continuously expanded business qualifications, innovated products and services, maintained steady growth in scale, and promoted the high-quality development of the Bank’s asset custody business.

**Under multiple measures, the business showed more bright spots.** Firstly, the Bank gave full play to the Group’s comprehensive financial advantages, supported the development of the real economy, and implemented a number of major projects in the fields of infrastructure, green and low-carbon industries, and rural revitalization strategies; relying on key products such as insurance claims, equity investment plans, funds guided by government, the scale of custody business within the Group increased by nearly 15% year-on-year. Secondly, the Bank was approved as a margin depository bank of the Shanghai Futures Exchange, and the space for cooperation in banking and futures business was further expanded. Thirdly, the scale of custody services for public funds increased by RMB110 billion, with an increase of 63% over the beginning of the year; the Bank continued to lead peer joint-stock banks in terms of cross-border custody business scale, and creatively implemented the first QFLP custody business, continuing to consolidate the advantages of cross-border customer custody cooperation.

**Technology innovation promoted the development of comprehensive custody business.** Firstly, the Bank continued to enrich and optimize value-added services such as public opinion monitoring on custody assets, continuously expanded the online content of customer services, and continued to deepen the cooperation in custody business within the China Life Group by relying on service extension. Secondly, the Bank continued to optimize and upgrade the custody business system; the cross-border business platform and new generation asset custody business won the China Life Group Technology Progress Award, thus the Bank improved the efficiency of customer service by technology empowerment.

## Financial Technology

The Bank comprehensively promoted digital transformation and upgrading, strengthened the mainline of “Leading by Technology”, implemented the development momentum of “Technology Empowerment”, and comprehensively enhanced the Bank’s technology competitiveness in the first year of the 14th Five-year Plan. During the reporting period, the Bank invested RMB3.101 billion in technology, with a year-on-year increase of 35.71%, accounting for 4.14% of the Bank’s operating income. As at the end of the reporting period, the Bank had 2,059 IT contract employees, including those in Credit Card Center, with a year-on-year increase of 9.40%, accounting for 5.47% of the Bank’s total employees, including those in Credit Card Center.

### Digital Services

The Bank, always customer-based, has used digital technology to garner deep insights into customer demands and provide high-quality services and the highest possible customer experience.

The Bank continuously developed Mobile Banking and “Wonderful Discovery” apps, launched Mobile Banking 7.0, added Smart Customer Service and Smart Financial Butler, and provided a more comprehensive contactless experience. During the reporting period, the Bank connected to a total of 13 scenario platforms and delivered 7 exclusive scenario loan products, including Good at Spending, Merchant Loans, and Inclusive E-loans for Farmers, released Wonderful Discovery 6.0 and the latest version of Guangfa Mall, supported Live shows on Wonderful Discovery, enriched the mobile financial service ecosystem, and improved both customer operational capabilities and customer experience. The Bank upgraded the new card issuance technology architecture to achieve one-time modeling, zero-cost reuse, and rapid promotion. The efficiency of card issuance approval was improved from 180 seconds to 10 seconds. For the first time, Huawei Cards can be used just after application, which helped that cumulatively 101 million CGB credit cards were issued. The Bank deepened the construction of insurance-banking synergy ecosystem, built the group’s comprehensive financial management cockpit system. The Bank built the new mode of “one customer, one account” and enabled customer identification and authentication through the Internet for all member entities of China Life Group so that customers could truly enjoy one-stop integrated financial services with convenience and efficiency.

The Bank deepened the large-scale application of artificial intelligence and promoted innovation of non-contact service. The Bank promoted intelligent auxiliary applications, developed intelligent functions such as post-loan report verification, customer voice classification, card application address verification and anti-fraud, and wealth management dual-record video quality inspection, promoted the breadth and depth of artificial intelligence application in daily business fields, and improved customer experience to reduce the burden and increase the efficiency of grass-roots front-line business. The Bank promoted the intelligent auxiliary scenarios expansion of electronic marketing, expanded the application of intelligent outbound call robots in such scenarios as credit approval, collection, and installment marketing, strengthened branch empowerment, added robot service scenarios for many branches, and enhanced branch marketing strength. The Bank improved the customer service capability of custody online banking, launched intelligent customer service robots, and added 200 new users of custody online banking throughout the year, and the transfer amount reached RMB19.5 billion.

### Digital Marketing

The Bank, focusing on key areas, built data applications considering the emerging business scenarios in the industry and improved the ability to gain more customers.

The Bank launched a new version of Guangfa Mall to build a new retail finance ecosystem. The new version of Guangfa Mall is the Bank’s first self-developed distributed micro-service cloud application, which supports instantaneous high-concurrency activities and realizes elastic expansion for resource. The platform adopts the B2B2C operation mode, effectively integrates product supply chain and retail marketing scenarios, and uses big data technology to deeply discover customer demands to further enhance precision marketing capabilities. During Singles’ Day, the cumulative sales of Guangfa Mall exceeded RMB227 million. During the reporting period, more than 2,600 events were held, and the cumulative order turnover increased by 154% year-on-year. The Bank promoted data-enabled branch marketing, drove 17 branches to carry out special cooperation on customized data analysis, and drove 40 branches to carry out special marketing activities such as dual-card cross-marketing and insurance customer conversion improvement; the Bank held the first Shuzhi Cup Big Data Analysis Competition for Branches in the whole bank, applied the competition results

## Business Overview

to customer marketing, increased AUM by RMB1.709 billion cumulatively, and added 37,400 retail households. The Bank established a innovation and sharing mechanism within branches, launched an excellent case library, and assisted branches to replicate nearly 200 new business scenarios so that financial technology could serve and boost branches more extensively.

### Digital Products

The Bank strengthened product R&D innovation, continued to promote the synergy layout of comprehensive financial products, provided customized products according to the real needs of customers, and enhanced the differentiated competitiveness of products.

Serve national development strategies. The Bank integrated into the construction of the Greater Bay Area, enriched the cross-border financial service system, supported Cross-border Wealth Management products, and helped customers in Hong Kong and Macao purchase domestic fund products; the Bank supported Cross-border Instant Connect products to improve the efficiency and experience of trade financing business; supported the Cross-border Insurance product, provided cross-border insurance settlement services, and helped the Bank become the first banks in the sector; the Bank supported the Monetary Authority of Macao to build a quick payment system and helped Macao Branch launch the Easy Transfer inter-bank transfer service and contributed technology support to the inclusive finance of Greater Bay Area. The Bank actively served the real economy, promoted the construction of an inclusive financial product system, promoted the Shuiyintong 2.0 across the Bank; launched High-tech Enterprise E-loan, Electricity Bill E-loan and other products, and enriched the corporate product system of inclusive finance. The Bank comprehensively promoted bank-government business, helped the head office and branches carry out bank-government and bank-enterprise cooperation, and the Social Security Card 3.0 enabled one-stop processing including card making, issuance, activation, and signing; the Bank supported branches to implement fiscal non-tax revenue collection, social security and medical insurance, bidding, housing maintenance funds, migrant worker wages payment, and other projects. The Bank actively explored supply chain financing, supported the development of small and

medium-sized enterprises, launched the supply chain golden tickets, issued electronic creditor's right certificate on the Bank's own platform, filled the gap in business field. The Bank linked up with CSCC, Sany Jin Piao, and other supply chain platforms, gained more than 200 corporate customers, realized batch customers acquisition, and helped small and medium-sized enterprises solve financing problems. The Bank put CRC E-second Order Loans into production, connected to the PBOC-CRC platform, and realized the fiscal coverage at provincial, city, and county levels in Guangdong province; the Bank helped government procurement, and strengthened support for the development of small and medium-sized enterprises. The Bank supported rural revitalization, supported branches to launch special loan products for key rural revitalization customer groups, and launched Changchun Farmer Loans and E-loans for Rural Revitalization.

Support strategic business development. The Bank enriched comprehensive financial scenarios, launched the Super Gold Card product, effectively integrated insurance and banking business scenarios, and gained 38,200 new contracted customers; the Bank launched its Gold Insurance Policy 4.0 to realize real-time data interaction with China Life insurance, provide customers with recommendations and planning of insurance policies when the customers were purchasing wealth management products. The cumulative sales of insurance policies were RMB3.509 billion. The Bank gave priority to the development of "capital-light and asset-light" business, innovatively launched E-second Discount for Bills 2.0, connected with the State Grid platform and the Linklogis platform, expanded customer attraction channels, and helped the development of the Bank's bill business. The Bank launched the online loan release function of forfaiting business to improve the convenience of forfaiting business. The Bank supported the open up and marketing of CGB Wealth Management, rapidly built and continuously improved the wealth management business system group, covering investment, operation, risk, data, and other fields, which continuously enhanced information system capabilities and user experience. The Bank supported the transition of asset management business, and the net value transformation of wealth management products in terms of product compliance, product line enrichment, sales channel expansion, and operational support. The Bank assisted in the disposal of risk assets and enhancing the

comprehensive benefits. The Bank launched the financial market transaction decision-making platform 2.0, to realize intelligent market-making quotations and continuously enriched automatic quotation varieties. The Bank's USD/RMB forex market-making quotations rose to 61.49% of proprietary trading.

### Digital Operation

The Bank used data intelligence to drive business decisions of the entire bank, deposit digital assets, provide digital empowerment, and support and realize digital operations.

The Bank advanced the construction of data lakes in the head office and branches, met the demand for real-time data sharing, delivered data analysis and application capabilities, promoted the construction of Data Middle-Office 2.0, built 8 basic data platforms and 2 professional data platforms, realized integration of data and platform through the data value cycle system, enabled marketing services, risk management and control, operation decision-making and regulatory reporting, and fully improved data analysis and application capabilities. The Bank built an NLP service center to provide intelligent solution tools for text processing and analysis of various business lines, saving operating costs and processing nearly 40,000 NLP requests daily on average, with a cumulative total of more than 100 million calls, saving more than 6,500 hours per month of labor and time. The Bank helped refine and automate operation of custody business, introduced ICR intelligent identification, electronic fax, and other tools to take all order processing steps online. The accuracy rate of automatic order sorting was 98%, and the accuracy rate of whole order recognition was 85%, holding a leading position in the industry. The Bank optimized the basic platform for office collaboration, completed the software-defined wide area network (SD-WAN) production and bank-wide promotion, flattened the bank's WAN, and generally expanded the available bandwidth of video security and daily office applications by 5 to 25 times, effectively solving bandwidth shortages and slow system access during peak business hours, which greatly improves the experience of branch users.

### Digital Risk Control

The Bank, deeply based on the application of data analysis in intelligent risk control business scenarios, provided efficient services for strong real-time risk control during and after loan, and promoted the refinement of risk management.

The Bank built a smart credit system, introduced the smart decision-making engine, applied machine learning and NLP analysis technology, set up a full process management and control system for credit customers before, during and after loan, increased the efficiency of process approval by 50.59% and effectively increasing the accuracy of post-loan early warning. The Bank advanced the construction of a comprehensive risk management platform, built a customer relationship map by integrating internal and external data of corporate and retail business, and used credit information, risk information, pan-group relations, public opinion information, etc. to build a unified view of customer risks, which displays customer risk information holistically. The Bank set up the risk indicator system and processed a total of 299 risk indicators of different types including credit risk, market risk, and liquidity risk during the reporting period, providing management with multi-dimensional, quasi-real-time comprehensive risk profile information.

The Bank promoted the construction of a new anti-money laundering system group, reconstructed the anti-money laundering large-amount suspicious reporting system, shortened the system batch time by nearly 20 hours, and effectively improved operation efficiency; in accordance with the Data Interface Specification for Anti-Money Laundering Field Inspection of Banking Financial Institutions (Trial), the Bank promoted the construction of production and quality supervision systems and established a process from data generation to data extraction; strengthened support for the construction of overseas anti-money laundering systems, optimized new suspects monitoring rules in accordance with regulatory requirements, and improved risk monitoring capabilities.



# Business Overview



## Business Topics

### Technology Innovation Promoted Operation Transformation and Upgrading

During the reporting period, the Bank adhered to its financial technology development strategy, continuously expanded and opened the boundaries of banking services, deepened external strategic cooperation, actively connected application scenarios, focused on ecosystem and industry empowerment, and successfully incubated digital labor unions, digital properties, digital human resources, and digital bankruptcy for a total of 13 innovative products, had fruitful results in fintech model innovation, drove a considerable corporate retail customer base and capital accumulation, and created the second curve of business growth.

**Flexible financial services solutions.** The Bank built a financial open platform and supported the rapid combination of various standardized financial products by providing financial service solutions to partners. In face of G-end, B-end, and C-end customers, the Bank extended banking service boundaries through the scenario integration with partners, which became the connection from the Bank's business to the outside world. Since the launch of its financial open platform, the Bank's business kept the high growth, covering more and more business areas, including online card issuance, electronic accounts, online loans, online wealth management, Salary E, E Clearing, supply chain financing, aggregated payment, meal tickets, courtesy platforms, etc. During the reporting period, the Bank completed the construction of the open banking middle-office and carried out productized and componentized design of important business functions such as transfer, wealth management, and funds in the personal online banking backstage; the Bank integrated the apps of the financial open platform into the cloud to improve service availability. A total of 962 partners were connected through the financial open platform gateway, with a year-on-year increase of 166.48%; there were 11.8 million transactions per day on average, with a year-on-year increase of 686.67%.

**Rich fintech product system.** Based on the innovative fintech mechanism, the Bank produced 13 digital products including digital human resources, digital law firms, and digital bankruptcy, improving the convenience of inclusive finance, while providing a powerful way for the Bank to quickly acquire and activate customers in batches, which gained obvious effects and won extensive social recognition. To further build a digital labor union ecology, expand the scenarios like labor union welfare operation, labor union financial management, employee meal allowance distribution, etc., the Bank signed 32 contracts with 49,300 registered users; the Bank signed more than 100 contracts to optimize digital kindergartens and won the PBOC Fintech Development Award; as to digital property, the Bank signed with 64 property companies and added 75,500 retailers, to deeply tap wallet scenarios.

**Powerful industry innovating proprietary cloud platform.** The Bank's industry cloud platform was put into operation, providing services to customers. CGB Industry Cloud is an "integrated, intelligent, and ecological" industry innovating proprietary cloud platform, which provides stable, secure, compliant, and flexible proprietary cloud services for industry-applied digital products serving G-end, B-end, and C-end customers and extends diversified financial services through open banking interfaces. Digital products such as digital labor unions and digital kindergartens were successfully relocated to the industry cloud. A total of 34 corporate labor unions settled in the digital labor union, and a total of 65 corporate customers settled in the digital kindergarten. Through new technologies such as industry cloud, big data, and artificial intelligence, the Bank joined with industry partners to organically combine industry digital products and financial services to build an open, shared, and sustainable digital ecosystem, creating a technology-led, business-driven development way for mutual benefit and win-win.

## Channel Innovation Accelerated Business Development

During the reporting period, the Bank released the Mobile Banking 7.0 and Cloud Store 2.0 Smart Dual-Core annual version with the theme of “Connecting Boundless, Smart Future”. This was the first time the transformation results of the digitally empowered front-line business model were published on the release date of the annual version. Among the results, Mobile Banking 7.0 focusing on the concept of “smart, boundless, inclusive” undertook the important task of online channel service operation, and Cloud Store 2.0 empowered front-line personnel to upgrade business models and creates a smart dual-core online “digital intelligence” integrated financial service. By virtue of online non-contact, green, and low-carbon advantages, high-quality business development was promoted through innovative “digital intelligent” operational transformation with digitally empowered wealth management, cross-border finance, ecosystem services, barrier-free services, insurance-banking cooperation, and other key fields, and promote high-quality business development, through innovative “digital intelligent” operational transformation.

**Mobile Banking 7.0 achieved comprehensive and systematical upgrade.** 1) Upgrading smart financial management services: The Bank newly launched Smart Financial Butler to integrate and upgrade the functions of transaction, account, and asset management and provide integrated, intelligent, scenario-based, and digital comprehensive financial management services. In terms of implementing the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, the Bank launched Cross-border Wealth Management and Cross-border Insurance products to improve the financial integration services in the Guangdong-Hong Kong-Macao Greater Bay Area. 2) Upgrading inclusive financial services: The Bank launched a caring Mobile Banking 2.0 and built a caring personal online banking and barrier-free official website services to meet the demands of all customer groups including the elderly; the Bank introduced meal ticket service, launched a Business Travel special zone, a Car Life special zone, and upgraded the personal credit report inquiry service, endeavoring to continuously enriching the service construction of life scenes. 3) Enhancing the app user experience: The Bank revised the five major homepages of Mobile Banking app,

fully upgraded the visual style, page structure, color system, and module components; the Bank set up a new information management platform, and Xiaozhi Headline, the Cloud Store, and Wealth Homepages introduced new information modules, supporting various information content displays and interactive functions such as voice broadcast, expressing appreciation, and information sharing; the Bank upgraded and launched AR Voice Assistant 2.0 to enrich voice service scenarios. The Bank expanded voiceprint application scenarios, adding new application scenarios for viewing bank card numbers to go further in freeing up hands and leading the upgrade of mobile financial service models. 4) Upgrading the channel coordination service: The Bank upgraded the Mobile Banking China Life Alliance's floating window and content UI and launched the WeChat version of China Life Alliance and added entrances to WeChat banking and mini programs, interconnecting multiple channels; the Bank introduced “Contactless Services” such as remote video application and cloud bank teller to strengthen online and offline collaboration; the Bank launched its WeChat account login function to extend its service to a larger number of WeChat customers.

**Cloud Store 2.0 promoted the transformation of traditional business models.** By integrating and applying cutting-edge technologies such as big data, machine learning, and intelligent algorithms, the Bank provided front-line customer managers with convenient service catches to be configured in real time and to be effective immediately, thus making the customer service and operations that are traditionally offline fully online, effectively solving the “pain point” present in traditional offline business development in the front line, such as “lack of service clues, lack of online customer tools, and difficulty in maintaining customers”, and promoting the expansion and quality of financial inclusion as well as forming a new driving force for digital development. During the reporting period, more than 10,000 cloud stores opened, covering all branches in mainland China, with an aggregate transaction amount of more than RMB100 billion. The “Online Digital Business Model Transformation and Upgrading Practice – Cloud Store Project” won the evaluation comment of “at advanced level among domestic peers” of experts from the PBOC head office.

# Business Overview

## Service and Support

### Operation and Process Management

#### *Innovative Operation Management*

The Bank continued to deepen its operational transformation, innovate customer services, and improve customer experience. The Bank's smart equipment covered all outlets, and 40 branches and 260 business outlets supported corporate smart equipment, which could handle 67 corporate transactions, covering more than 75% of high-frequency key corporate transactions. The Bank promoted the social welfare real-time card making machine, supporting the real-time replacement of the third-generation social welfare cards, where the card opening, card reissuance, and card replacement can be completed within 6 minutes. The Bank promoted the installation of billing machines to facilitate customers' self-service real-time settlement or pre-filled forms backstage remote settlement. These mobile terminals can support 137 function points, and throughout the year, they supported the issuance of more than 819,000 personal cards and 1,139 corporate accounts. The Bank supported mobile payment construction, and our 839 business outlets supported payment through code scanning at counters and smart equipment channels, taking the lead in the industry to realize mobile scanning code payment function. The Bank cared for the senior citizen customer group by increasing a special menu for the elderly, making the interface more concise and enlarging the font among other measures designed for the elderly, and increasing support for voice commands. The Bank improved the backstage remote Cloud Bank Teller service model to support about 120 types of transactions including corporate account opening. The annual business volume of Cloud Bank Teller was 463,700, making it more convenient for enterprises to open accounts. The Bank advocated B-end new financial ecosystem construction, provided clearing services for 122,100 merchants, and supported 146,900 daily transactions on average by face-swiping, deposit, and pre-authorization payments for acquirers.

#### *Intensive Operation and Management*

The Bank continued to cultivate online, electronic, automated, mobile, and other intensive methods to improve the quality and efficiency of digital operations. Expense reimbursement, invoice recording and other businesses of all branches are collected by the head office for centralized processing. The Bank released the E-declaration mobile reimbursement function that enables reimbursement at any time, in any place upon submission. The Bank built a bank-wide integrated treasury business backstage to realize

a straight-through, one-stop, and centralized business processing model with a treasury business straight-through rate of 99.87%. The Bank continued to promote Robotic Process Automation (RPA), put 29 robots into operation in the whole bank, which were applied to 150 RPA processes in total, reducing the risks of manual operations such as data and report processing, account reconciliation, account management, etc., and greatly improving the operational quality and efficiency of digital labor. During the reporting period, the Bank won the 2021 "Smart Craftsman" RPA Application Excellent Case Award issued by the China Academy of Information and Communications Technology (CAICT) and the RPA Innovation Industry Summit, and the "Standard Innovation" Evaluation Result Award issued by the China Foreign Exchange Trading Center.

#### *Compliance Operation Management*

The Bank, always persistent in standardized operation, strengthened supervision and inspection to ensure compliant operation. The Bank improved the classification and grading mechanism of personal and corporate accounts, which are divided into four levels: "normal", "pending", "suspicious", and "risky". The Bank promoted account full life cycle management by model monitoring, early warning, reminders, etc. to prevent and intercept gambling-related or fraudulent abnormal accounts. The Bank enhanced inspection and supervision with systematic, visual, and intelligent methods, launched the operation risk map, set up a risk evaluation indicators system from the perspectives of organization and business operation to present the operational risk situation of the whole bank. The Bank reconstructed the letter-number recording and tracking system to collectively monitor cash collection and payment with a misread rate not higher than 0.03%, meeting regulatory requirements. The Bank strengthened customer reconciliation, introduced big data AI technology, and supported WeChat reconciliation. The average bank-corporate reconciliation rate in the whole bank reached 99.42%, ensuring the safety of customer funds.

### Brand and Service Management

#### *Brand Building*

During the reporting period, guided by Xi Jinping's Thoughts on Socialism with Chinese Characteristics in the New Era, the Bank planned and promoted brand building from a broader perspective and a higher position. The Bank planned for the diversified and all-round publicity to vividly demonstrate the practice and positive image of CGB in implementing major national strategic deployments, serving the real economy, and fulfilling social responsibilities. Throughout the year, the Bank published more than 80,000

positive manuscripts in mainstream media and planned 54 new media programs, gaining nearly 25 million views. The Bank was ranked the 64th among the Banker's Top 1,000 World Banks, continuously selected into the World Brand Lab, ranked the 9th in the "China's Most Valuable Brands", won the "Best Brand Building Bank of the Year", and the Bank's brand promotion work won unanimous recognition from authorities and other entities.

**In terms of news propaganda**, around such major themes as learning the CPC history, celebrating the centennial of the CPC founding, learning and implementing the spirit of the Sixth Plenary Session of the 19th CPC Central Committee, implementing the decisions and deployments of the CPC Central Committee, as well as CGB high-quality development and serving the real economy, the Bank firmly performed the central work of the whole bank, effectively improved the dissemination, guidance, influence, and credibility of news propaganda with integrity and innovation, steadily and strictly pushed forward news propaganda, promoted positive voices, and spread positive energies. **In terms of all-media publicity**, the Bank linked 13 places online and offline, and published the Bank's comprehensive financial services for the real economy to more than 100 media agencies; the Bank mainly focused on mainstream media but also make full use of other media channels such as new media, expert voices, webcasts, banners, texts, short videos, and voting, actively guiding in-depth interaction with the public, building a good image, gaining wide publicity, and shaping a stereoscopic voicing posture. **In terms of brand management**, the Bank built a "Central Kitchen" content production mechanism to plan or share news clues and topics collectively, connected the use of news materials, and made in-depth exploration and secondary processing by different channels, greatly increasing efficiency; with policy guidance, mechanism requirements, resources preference and other methods, the Bank continued tapping CBA-based basketball marketing resources, conducted China Life 616 customer festival promotion and marketing, strengthened brand promotion support for business marketing, reinforced the publicity of brand image in collaboration with brand image and product, business and service content, actively implemented "marketing on the brand's stage"; the Bank adopted an aggressive branding strategy. In combination of Yi Jianlian's endorsement, credit card marketing strategy for youth, and the Discover Wonders app's strong brand position, the Bank made a slogan of "Discover wonders with you", enhanced the brand image of young, modern and integrated finance; the Bank systematically compiled the Brand Special Plan for the "14th Five-year Plan" Period, comprehensively planned for the next stage of brand building.

## ***Protection of Consumer Rights and Interests and Service Supervision***

During the reporting period, the Bank further strengthened work deployment, worked mainly to consolidate systems and mechanisms, paid close attention to risk prevention, continuously settled complaints, increased service quality, further improved various consumer rights protection systems and mechanisms, and conducted customer walk-through testing, surveillance, and experience optimizing work. The total number of complaints and the number of regulatory transfers were stable with some declines. Major complaints were eliminated, the quality of customer service continued to improve, the overall rating of PBOC consumer protection assessment increased, and the improved quality and efficiency of consumer protection were fully recognized by regulators.

**Optimized complaint traceability service.** The Bank actively consolidated the results of customer complaint management, continued comprehensive management and source management, and strengthened front-end sales control. By early warning and monitoring of complaints and risks, and sending risk reminder letters in a timely manner, the Bank established inter-departmental and inter-agency linkage mechanisms for joint handling major complaints and timely optimization of products and services based on complaints and feedback. At the end of the reporting period, the total number of complaints of the Bank decreased by 5.1% year-on-year; the number of complaints from regulatory transfers decreased by 16% year-on-year with continuing effects of complaint control.

**Continuously improved consumer protection mechanism.** The Consumer Council of the Head Office and other decision-making mechanisms are operating effectively; the thousand-point assessment system for consumer protection services is running effectively to realize quarterly trial calculation and supervision; the pre-sale consumer protection review system is acting effectively, so within the reporting period, the Bank completed 771 consumer protection reviews on new products and services; the Bank established an integrated rectification mechanism with emphasis on rectification of regulatory assessment to collectively improve the mechanism establishment and implementation; the Bank set up a service supervision system to carry out comprehensive inspections on nationwide offices on a quarterly basis; the Bank practically advanced the system construction and issued or revised 8 consumer protection systems in a row; the Bank explored and promoted bank-wide personal financial information, carried out special inspections on personal financial information protection, and issued work plans for personal financial information protection.

## Business Overview

**Diversified resolution of disputes.** The Bank issued a number of systems for major complaint response, insignificant amount reconciliation, and third-party mediation to prevent possible major complaints, standardize the reporting path of risk events, and clearly provide for the timely and effective resolution of customer complaints so as to provide the institutional reassurance and empowerment for front-line workers to resolve complaints and disputes. During the reporting period, the Bank mediated over 5,000 cases with local financial mediation organizations across China with a mediation success rate of over 70%.

**Enhanced awareness of consumer protection.** The Bank held a general meeting of consumer protection service improvement attended by all employees, enthusiastically carried out consumer protection service culture building, organized the entire bank to select Winning Experience excellent service innovation cases, held the CGB lecture on the generalization of Personal Information Protection Law of the PRC, held the compliant sales suitability warning meeting, held the network security theme exhibitions, among others, to fully cover middle class and senior managers, business backbones, and new employees throughout the Bank. The Bank set up the Financial Knowledge Popularization column on the online platforms sponsored by authoritative media such as Economic Daily to effectively broadcast financial knowledge and the Bank's consumer protection service cultural concept and brand to employees and customers.

**Winning experience in enabling business.** The Bank built a customer experience monitoring system. During the reporting period, the Bank designed 3 major product categories, 12 platform user types, 18 channels, 196 experience links, 708 experience steps, 1,153 experience indicators, and 2,245 touch points. The Bank completed the 2021 Bank-wide customer satisfaction survey of all retail customers, established a team of internal customer experience officers, and made a full-process through-test experience on Mobile Banking from a customer perspective, effectively improving customer experience.

**Exclusive service for seniors.** The Bank included service for senior citizens in the CGB Special Plan for Consumer Rights Protection and Customer Service during the 14th Five-year Plan to maintain the traditional service mode while promoting reconstruction of online and offline channels in a way that cares for the seniors. At the end of the reporting period, more than 98% of the Bank's business outlets opened green channels or exclusive service windows for the elderly. The Bank renovated intelligent equipment to be senior-friendly and added a larger font version of menus with explanations for seniors. The Bank launched Elderly Channel to help the seniors quickly connect with manual services and provided considerate services for the seniors.

### Institution Management

By the end of the reporting period, the Bank had established 959 business outlets in 111 cities at or above the prefecture level across 26 provinces (including municipalities and autonomous regions) in mainland China, including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Heilongjiang, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Chongqing, Sichuan, Yunnan, Guizhou, Shaanxi, and Xinjiang as well as in Hong Kong and Macau Special Administrative Regions. CGB Wealth Management Co. Ltd was approved for establishment, and the Hohhot branch is under preparation. The Bank set up a work station for post-doctoral scientific research in the Head Office.

During the reporting period, with the tenet of supporting the real economy, the Bank actively served such national regional development strategic plans as Beijing-Tianjin-Hebei coordinated development, development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Economic Zone, the integrated development of Yangtze River Delta region, construction of double-city economic circle in the Chengdu-Chongqing region, and the construction of Hainan Free Trade Port, supported the revitalization of traditional industrial bases in northeast China and economic development in central and western China, so as to continue to optimize the layout of existing outlets and continuously make ceaseless efforts to promote the high-quality development of branch outlets.



## Human Resources Management

### Organization Management

In pursuit of the vision of “building a first-class commercial bank in China”, the Bank continuously strengthened basic management, proactively consolidated management foundations, and strengthened impetus for reform and development. During the reporting period, the Bank continuously optimized the organization structure, business processes, and post-establishment, which further strengthened business cooperation, improved business processes, optimized personnel structure, enhanced efficiency, strengthened risk management and internal control, and promoted the rapid and stable business development of the Bank.

The Bank thoroughly implemented the decisions of the Party Central Committee and the State Council on consolidating and expanding the effective connection between the achievements of poverty alleviation and rural revitalization, fulfilled the responsibility of comprehensively promoting rural revitalization, and perfected the rural revitalization framework system. The Bank effectively integrated resources, prevented risks, established the Nanhai Comprehensive Center, and conducted overall management in people, property, materials as well as external communication and coordination in the Nanhai Financial Center Park.

### Personnel Management

The Bank used market-oriented selection and employment mechanism and selected and employed competent personnel in the principle of “equality, openness, competition, merit-based” according to the “person-post matching criteria”. The Bank cultivated high-quality talent teams by such means as open competition, post exchange, job rotation, selection and promotion from cadre reserves, and market-oriented talent introduction.

During the reporting period, the Bank comprehensively established the personnel recruitment, talent selection, and personnel exchange system under the new position framework, further enhanced the scientific and standard design of employees’ career development, and formed a sound competitive mechanism that stresses on both integrity and ability, appoints personnel in a fair manner, emphasizes responsibilities, focuses on actual capabilities, and encourages steady progress. The Bank strengthened its employer brand building, increased campus recruitment efforts, and vigorously recruited outstanding college students. The Bank accelerated the construction of young cadres to reserve outstanding talents at different levels, enhanced the growth and cultivation of outstanding young cadres, and gradually cultivated a group of outstanding reserve talents for operation and management positions in the Bank by various means such as training, exchange of positions between the Head Office and branches, and practice at a temporary posts in other divisions.

### Performance Management

The Bank established scientific and fair performance assessment and incentive and restrictive mechanism, conveyed the strategic focus of the Bank to each outlet through performance assessment, strengthened application of performance evaluation results, built the performance culture oriented towards value contribution, gave full play to the forcing role of performance appraisal, and enhanced strategy execution of the Bank.

During the reporting period, the Bank established and improved a short-term as well as medium-and-long-term assessment and evaluation system in accordance with development strategies and business conditions. It continuously improved performance management indicators system, strengthened the assessment in terms of risk compliance, capacity per capita and market competitiveness, implemented the operation principle of seeking progress while maintaining stability and enhancing quality and efficiency; continuously intensified incentive and restrictive mechanism, and closely integrated the evaluation results with remuneration distribution; constantly strengthened supervision and improvement of the performance assessment process, improved the level of refined management and promoted the optimization of comprehensive work with the help of assessment.

## Business Overview

### *Remuneration and Benefits Management*

The Bank established a mechanism of linking the increase in total wages with the increase in net profits and linking them in the same direction. The remuneration distribution insisted on providing favourable policies towards the front line, science and technology, top performer and key contributor. The Bank studied and formulated differentiated remuneration policies and pushed their implementation. As for remuneration management, the Bank aims to establish a market-oriented salary system and an effective incentive and restrictive mechanism. To this end, the Bank adhered to the principle of putting efficiency first and maintaining fairness; insisted on market-oriented distribution of post-matched and performance-linked remuneration; the Bank established flexible salary mechanism and strengthened individualized incentives for core talents.

The Bank continuously improved remuneration structure and gradually stepped up incentive and restrictive measures. It intensified the linkage of performance bonus to evaluation results by establishing the wide range remuneration system determining target annual salary according to posts and actual annual salary based on performance. As for Senior Executives and employees in positions heavily involving risks, the Bank explored medium-and-long-term incentive mechanism, continuously improved the deferred payment of performance bonuses, coordinated short-term and long-term incentives, and integrated effective incentives and strict restrictions.

The Bank has established an enterprise annuity system to guarantee income for employees after their retirement. Moreover, the Bank offers a supplementary medical insurance scheme to provide comprehensive supplementary medical insurance for all the staff and retired employees by purchasing commercial insurances and setting up a mutual-aid medical fund.

### *Training Management*

During the reporting period, the Bank attached great importance to Party building and development strategy in education and training programs, highlighted Party building in various business segments, focused on retails and insurance-banking cooperation, sped up the technology innovation and digital transformation as well as promoted the training of urgently needed talents, improved the capabilities of cadres and employees, enhanced the specificity, practicability and systematicity of training programs. The Bank, on the basis of party schools, steadily carried out learning and education on the CPC history; bank leaders took the lead in the CPC history lectures “to memorize the Party history, remember the Party mercy, and follow the Party policy”; held competitions like Top 10 of 100 Party Classes to Celebrate the CPC’s Centennial, built 100 excellent online party classes, and discovered 100 excellent lecturers. The Bank continued to deepen business training, linked with 5 major branches of professional study, held practical training programs like Product Experts and Financial Elites, carried out digital transformation training programs like Beacon Project, New Bud Innovation Incubation Competition and Shuzhi Cup Big Data Analysis Competition, provided compliance trainings such as Compliance and Case Prevention Stories in My Life. The Bank actively promoted online empowerment, enhanced the convenience and comprehensiveness of training and teaching, enlarged and perfected live broadcast training, cross-regional co-frequency training, and held a total of 226 live broadcast training sessions.

## Major Subsidiaries

CGB Wealth Management Co., Ltd. ("CGB Wealth Management") is a wholly-owned subsidiary of the Bank with a registered capital of RMB5 billion. It was approved by the China Banking and Insurance Regulatory Commission (CBIRC) on 25 November 2021 and was established on 1 December 2021 with the following business scope: public offering of wealth management products; investment in the properties of investors under management; non-public offering of wealth management products to eligible investors; investment in the properties of investors under management; wealth management consulting and advisory services; other businesses approved by CBIRC.

By marketization and specialization, CGB Wealth Management has effectively enhanced the Bank's ability to shape core asset management business. The establishment of CGB Wealth Management is a key measure of the Bank to restructure the financial supply and implement new regulations on asset management and wealth management. As the only wealth management subsidiary of the Bank approved and opened in 2021, CGB Wealth Management is committed to "protecting your wealth and rendering you happiness with professionalism and responsibility", following the philosophy of value investment, specialization, standardization and marketization, dedicated to creating long term value for customers, employees, shareholders and society, and eventually becoming a full-featured asset management institution with "outstanding reputation, distinctive features, stable operation and industry leadership".

**Full-coverage, comprehensive product family.** The Bank has built a big product family of 5 categories and 20+ sub-categories based on risk-return characteristics, and created 11 product series. The Bank solidified the ballast stone function of the low-risk Golden series, reinforced the positioning of the low to medium-risk Happiness series as the supporting base, gave full play to the medium-risk Win series in the role of booster, and built a medium to high-risk Rich series as the incubator platform, tapped all kinds of high-quality assets, fostered competitive product brands, and explored direct equity investment products to meet various financing demands of customers.

**Reinforced investment and research.** The Bank made in-depth analysis of customer investment demands, built a fixed income market model analysis system by strengthening macroeconomic and interest rate studies, allocated assets dynamically in combination with multi-level indicator monitoring models and multi-dimensional cycle clocks, macroeconomic cycles, and interest rate trends; established the integrated fund investment research system covering multi-factor analysis, fund quantitative standard screening, fund qualitative due diligence research, and portfolio post-investment management; improved product risk-return ratio by decentralized allocation, further enriched the investment product types, and increased the ability to construct diversified strategies; further tapped the beta income from equity-debt assets allocation and restructuring, reinforced the improvement of the active direct investment ability of equity-debt assets, tapped the alpha income under the investment opportunities of relatively advantageous assets, and strengthened the construction of absolute income strategy capabilities.

At the end of the reporting period, CGB Wealth Management had a total asset of RMB5.188 billion, and a total owner's equity of RMB5.071 billion. During the reporting period, CGB Wealth Management recorded a cumulative revenue of RMB136 million.

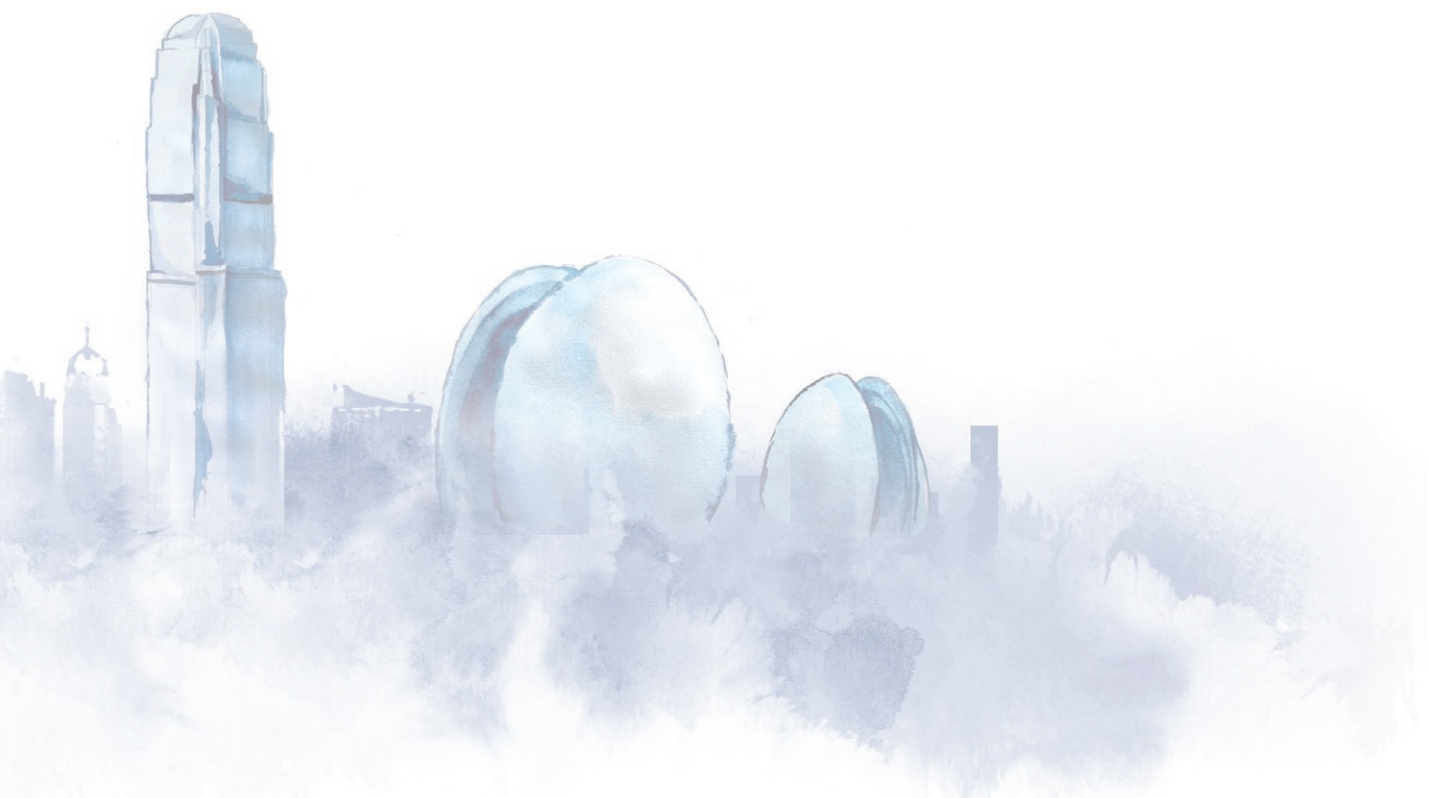
# Risk Management

## Overview of Risk Management

During the reporting period, the Bank continued to maintain a prudential and moderate overall risk management strategy, continuously promoted “full-coverage” comprehensive risk management system, improved the risk management system, strengthened the use of risk management tools, cultivated a risk compliance culture, perfected the “three lines of defense” mechanism for internal control and accelerated the digital and intelligent transformation of risk management, in an effort to deliver more active, forward-looking and effective risk management.

The Bank has established fully structured risk management framework system with responsibilities clearly defined, forming a multi-level, interconnected and effectively balanced operating mechanism. The Risk Management Organizational Structure is composed of the Board of Directors and its special committee, Board of Supervisors, senior management and its special committee, Comprehensive Risk Management Department, and various risk management departments etc.

The Board of Directors assumes ultimate responsibility for comprehensive Bank’s risk management and is responsible for establishing a risk culture, and determining the overall risk appetite and risk tolerance, and approving the Bank’s targets, strategies, policies and procedures for major risk management. Risk Management Committee is subordinated to the Board of Directors, responsible for reviewing strategies, policies, and major affairs of risk management, money laundry risk management, case prevention management, major asset disposal programs, and carrying out control, management, evaluation, and supervision over the risks of the Bank, etc. The Board of Supervisors assumes the supervisory responsibility for comprehensive risk management, and is responsible for supervising and inspecting the performance of duties and responsibilities by the Board of Directors and the senior management in risk management and urging rectification.



The senior management undertakes the responsibilities for implementing the comprehensive risk management and executes the resolutions by the Board of Directors. The Internal Control Compliance and Risk Management Committee, the Asset and Liability Management Committee, the Credit Approval Committee, Investment Business Approval Committee and Non-performing Asset Disposal Approval Committee under the senior management are responsible for analyzing risk strategies, guidelines and policies for preventing credit risk, market risk, bank account interest rate risk, liquidity risk, operational risk, country risk, and money laundering risk etc. Meanwhile, they are also responsible for evaluating the effectiveness of the management system, monitoring the implementation of management measures as well as identifying deficiencies in the management system and figuring out solutions accordingly.

The Risk Management Department is the leading department in comprehensive risk management, taking the lead in performing the daily management of comprehensive risks. The Risk Management Department, Credit Management Department, Retail Credit Department, Credit Card Center and Asset Protection Department are responsible for formulating, implementing and managing the Bank's credit risk management regulations. The Risk Management Department is responsible for

the formulation, implementation and management of the Bank's management regulations for market risk, operational risk and country risk; the Asset & Liabilities Management Department is responsible for the formulation, implementation and management of the Bank's management regulations for bank account interest rate risk and liquidity risk; the Legal and Compliance Department is responsible for the formulation, implementation, examination and management of the Bank's management regulations for compliance risk, IT risk and money laundering risk; the Audit Department and four regional audit centers are responsible for independent review and evaluation of the adequacy and effectiveness of the Bank's corporate governance, internal control and risk management.

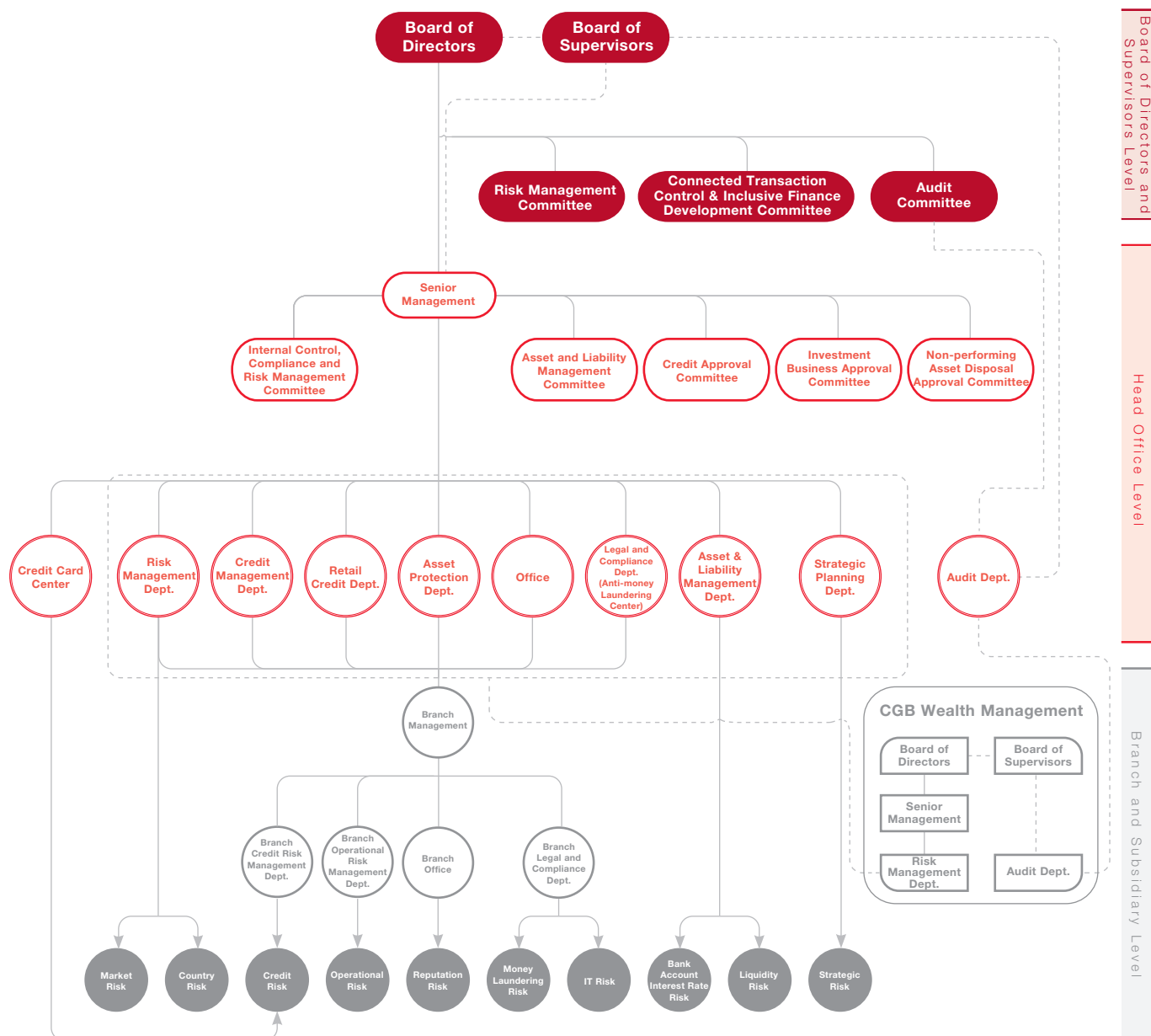
Risk management decisions made by the Board of Directors, the Risk Management Committee of the Board and senior management are executed by branches under instructions from the relevant departments.

With reference to the Bank's comprehensive risk management framework, CGB Wealth Management established a comprehensive risk management organizational structure and management mechanism to ensure that risk management requirements are fully extended within the Group.



# Risk Management

## Risk Management Organizational Structure



## Risks Encountered by the Bank and Corresponding Countermeasures

### Credit Risk

#### Overview of Credit Risk Management

Credit risk refers to the risk of economic losses to the creditor or holder of a financial product due to the borrower's or the trading counterpart's failure to perform its contractual obligations on time or due to changes in credit quality which affects the value of the financial product. In recent years, the Bank sought for progress while maintaining stability, comprehensively improved its risk management capability, and continuously promoted its own high-quality development to prevent and reduce credit risk losses.

During the reporting period, the Bank continued to enhance industry research, optimize credit structure, categorize risks, perfect management tools, and effectively control the asset quality. 1) The Bank focused on the changes of macroeconomic conditions, enhanced research on national regulatory policies and systems, timely published the industry credit guidelines, to clarify the access conditions for credit customers, strategic choices for existing customers and credit management requirements, and give full play to the guiding role of the industry credit guidelines on branch business development and credit access. Meanwhile, the Bank established risk consultation, situation consultation, risk joint control and other mechanisms, strengthened risk investigation in key fields like real estate, shadow banking, and Internet loans, and strengthened monitoring and control. 2) The Bank

increased basic management and control efficiency. The Bank launched an intelligent decision-making engine for public credit extension and introduced intelligent financial report analysis; piloted the launch of smart credit granting models such as housing loan, bank bill discounting, etc., and initially established an open platform and mobile application scenarios for clients, account managers and authorized approvers to realize a smart credit granting system for the whole process of public credit extension; accelerated the transition and upgrading of the digitization, expanded internal and external data connection and big data applications, and improved the risk identification and management capabilities of online loans; enhanced technology empowerment and deeply integrated technologies such as voiceprint technology, knowledge graph, AI anti-fraud and intelligent collection robots into business processes. 3) The Bank continued to optimize risk measurement and management tools. The Bank continued to optimize the rating model and the functions of the rating-related system to improve the coverage, precision and differentiation of the model; deepened the construction of a comprehensive risk management platform, further improved the customer risk early warning system, and enhanced the effectiveness of overall and single customer risk monitoring; strengthened model verification management, improved model development efficiency, and continued to improve quality and efficiency of risk management. 4) The Bank continued to increase the collection and disposal of non-performing assets. The Bank reinforced efforts in cash collection, continued to use various methods such as write-offs, packaging and asset securitization to resolve risky assets, and actively disposed of wealth management and return-to-balance sheet assets through innovative methods to improve the quality and efficiency of non-performing asset disposal and operation.

# Risk Management

## Five-grade Classification of Loans and Changes in Non-performing Loans

### Five-grade Classification of Loans and Loss Provisions for Each Grade of Loans

Unit: RMB'000

Item	As at 31 December 2021	Percentage (%)	As at 31 December 2021 Loss provisions for loans
Pass	1,958,172,480	97.11	24,710,937
Special mention	29,864,073	1.48	9,140,239
Substandard	11,114,005	0.55	6,351,228
Doubtful	13,552,644	0.67	9,047,202
Loss	3,803,709	0.19	3,781,463
Total	2,016,506,911	100.00	53,031,069

Note: Accrued interest is excluded in the data of the five-grade classification of loans.

### Changes in Non-performing Loans

Unit: RMB'000

Item	31 December 2021		Increase/decrease during the period		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Substandard	11,114,005	0.55	1,553,310	0.01	9,560,695	0.54
Doubtful	13,552,644	0.67	1,284,325	(0.01)	12,268,319	0.68
Loss	3,803,709	0.19	(2,189,906)	(0.14)	5,993,615	0.33
Total	28,470,358	1.41	647,729	(0.14)	27,822,629	1.55

### Major Policies, Measures and Effects of Non-Performing Asset Management

During the reporting period, the Bank intensified the disposal of non-performing assets with several approaches such as conventional debt collection, bad debt write-off, transfer of creditor's rights, and securitization of non-performing assets in accordance with the legal compliance, transparency and risk settlement principle. Firstly, the Bank strengthened the collection of non-performing assets with conventional approaches such as lawsuit and disposal of collateral, followed the business philosophy that collection is profit-making, and continuously strengthened cash collection. Secondly, the Bank made reasonable use of bad debt write-off methods, and promoted "full verification" in compliance with laws and regulations, and at the same time, in accordance with the principle of "write-off account with case retained", the Bank continued to increase the collection of non-performing assets after write-off. Thirdly, the Bank complied with the policy direction, continuously expanded the disposal channels, and actively promoted the single-account transfer of non-performing assets, retail batch transfer and asset securitization. Fourthly, in response to the call of "Six Stabilities" and "Six Guarantees" of the state, the Bank stepped up efforts to restructure non-performing assets, eased pressure on the capital chain of enterprises, and supported enterprises to get out of difficulties. At the end of the reporting period, the Bank collected and disposed a total of RMB30.680 billion in principle of non-performing loans.

#### Loans Classified by Business and Structure of Non-performing Loans

During the reporting period, the Bank's non-performing loan ratio remained stable, down by 0.14 percentage point from last year. In terms of loan structure, the bad corporate loan ratio of non-performing (including discounts) was basically the same as last year. Due to the digital transformation of personal loan risk control and the continuous improvement of the refined management level of asset quality, the non-performing ratio of personal loans decreased compared with last year. Among them, the credit card business line took the initiative to take various measures to reduce the scale of high-risk assets, making the quality of assets stable and improved, and the non-performing ratio decreased compared with the previous year.

Unit: RMB'000

Item	31 December 2021			31 December 2020		
	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Corporate loans (including discounted bills)	1,113,556,111	55.22	1.64	982,616,110	54.66	1.63
Personal loans	902,950,800	44.78	1.13	815,064,222	45.34	1.44
Including: Credit card overdraft	452,345,153	22.43	1.54	417,146,757	23.20	1.98
Total	2,016,506,911	100.00	1.41	1,797,680,332	100.00	1.55

Note: Accrued interest is excluded in the data of loans.

# Risk Management

Corporate Loans Classified by Industry (Excluding Discounted Bills) and Non-performing Loans

Unit: RMB'000

Industry customers	31 December 2021			31 December 2020		
	Balance of loans	Percentage (%)	NPL ratio (%)	Balance of loans	Percentage (%)	NPL ratio (%)
Manufacturing	147,457,090	16.90	5.14	121,273,814	15.48	6.64
Wholesale and retail	84,257,908	9.66	5.03	84,463,727	10.78	4.27
Real estate	153,359,417	17.57	2.15	160,944,281	20.54	0.20
Construction	59,764,958	6.85	1.13	58,852,792	7.51	1.53
Transportation, warehousing and postal services	52,089,218	5.97	0.26	37,025,394	4.72	0.31
Water resources, environment and public facilities management	129,286,979	14.82	0.05	125,512,645	16.02	0.02
Leasing and commercial services	127,497,464	14.60	0.62	94,614,274	12.07	1.50
Mining industry	34,819,453	3.99	0.92	30,870,603	3.94	0.70
Information transmission, software and information technology services	7,180,492	0.82	7.48	6,548,851	0.84	10.11
Others	76,959,460	8.82	0.82	63,544,260	8.10	1.15
Total	872,672,439	100.00	2.09	783,650,641	100.00	2.05

Note: Accrued interest is excluded in the data of loans.



**Provision and Write-off of Loan Impairment Allowances**

Unit: RMB'000

Item	Loan impairment allowances
Opening balance	49,408,014
Impairment allowance for the year	47,872,475
Reversal of the year	(24,405,079)
Recovery of amounts written off in previous years	4,027,169
Write-offs and transfer in the year	(24,279,500)
Closing balance	52,623,079

Note: Include only the loan impairment allowances measured by amortized cost.

**Assets as debt repayment**

Unit: RMB'000

Item	2021 31 December	2020 31 December
Assets as debt repayment	801,694	835,619
Including: Housing property	717,104	751,029
Land use rights	84,590	84,590
Others	—	—
Less: Impairment allowance	(191,737)	(192,765)
Net assets as debt repayment	609,957	642,854

# Risk Management

## Market Risk

Market risk refers to the risk of losses incurred from on-sheet and off-sheet business of a commercial bank caused by adverse changes of market prices (including interest rates, exchange rates, stock prices and commodity prices). The Bank's market risks mainly comprise the fluctuations in interest rate and exchange rate.

The Bank established and improved the market risk management system according to regulatory requirements such as the Administrative Measures for Capital Management of Commercial Banks (Trial), Commercial Bank Market Risk Management Guidelines and Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision). The Board of directors of the Bank assumes the ultimate responsibility for monitoring market risk management; the senior management is responsible for formulating, regularly reviewing and supervising the implementation of policies, procedures, and specific operational codes for market risk management; the Risk Management Department leads the instalment identification, measurement and monitoring of market risks of the Bank, and report the market risk management to the Board of Directors, the Risk Management Committee of the Board and senior management on a regular basis; the Asset and Liability Management Department of the Head Office is responsible for managing interest rate risk in the Bank's account books.

In terms of trading accounts and bank account books, the Bank managed their market risks with different methods. Market risk management over trading accounts mainly involves daily revaluation of positions in trading accounts by the application of market risk-related limits such as VaR limit, exchange rate sensitivity limit, interest rate sensitivity limit and stop-loss limit, and regular measurement of market risks using such methods as sensitivity analysis, VaR analysis and stress testing. In terms of market risk management over bank accounts, the Bank focused on

management of interest rate and exchange rate risks to identify, measure, and monitor the market risks of various business lines using a range of approaches such as duration monitoring, exposure analysis, sensitivity analysis, scene analysis and stress testing. The market risk and capital mid-office systems, and the liquidity risk and bank account interest rate risk management systems have successfully measured and monitored various risks regarding trading accounts and bank accounts.

Faced with the complicated financial situation, the Bank's market risk management department took active management measures to improve the quality efficiency of market risk management. The Bank optimized the portfolio limit system within the framework of market risk appetite, reasonably set market risk limit indicators within the framework of risk appetite indicators, organically combined the performance of risk indicators with market changes, and strengthened stared at market monitoring and early warning prompts; Use various derivative instruments to mitigate and hedge interest rate and exchange rate risks; revised and improved the system and optimized the system functions; strengthened the risk assessment of new products and new businesses, conducted regular stress tests, and strengthened the financial market situation and business analysis and reporting mechanism. As of the reporting period, the Bank's market risk didn't have any breach of the risk appetite indicators set by the Board of Directors for risk limits and warning thresholds of the Bank. According to the Administrative Measures for Capital Management of Commercial Banks (Trial), the market risk capital provision of the Bank covered the interest rate risk, exchange rate risk, stock price risk and commodity price risk in the transaction accounts, as well as the foreign exchange risk and commodity risk in bank accounts. At the end of the reporting period, the Bank's capital market risks occupied capital under the standardized approach amounted to RMB2.856 billion with a decrease of 6.18% compared with the end of last year, mainly due to the larger decline in the scale of the derivatives business.

## Bank Account Interest Rate Risk

The bank account interest rate risk refers to the risk of losses of economic net value of bank accounts and overall earning caused by in case of adverse changes in the interest rate level and term structure, mainly including gap risk, basic risk and option-related risk.

The Bank established the bank account interest rate risk management system Board of Directors covering risk appetite, risk limits, gap analysis, duration analysis, scene simulation and stress testing in accordance with the Commercial Bank Account Book Interest Rate Risk Management Guidelines (Revision) promulgated by China Banking and Insurance Regulatory Commission, and evaluated the impacts of interest rate changes on operation from the aspects of net interest income and economic value. The Board of directors assumes ultimate responsibility for the effective management of bank account interest rate risks. The senior management is responsible for approving the bank account interest rate risk limits of the Bank, and authorizing and urging functional departments to effectively manage bank account interest rate risks. The Asset and Liability Management Department is responsible for the identification, measurement, monitoring and control of the bank account interest rate risks of the Bank. The Bank shall measure the bank account interest rate risks undertaken by the Bank in accordance with the standardized measurement framework. According to the gap of asset and liability period terms and expectations on market interest rate, the Bank guided the adjustment of liability duration via FTP and active liability, and studied the risk hedging strategy on interest rate derivatives in accordance with market situations.

The Bank kept a close eye on fundamentals of the macro economy and monetary policies at home and abroad, changes in external interest rate environment such as LPR and regulatory policies, and intensified studies on interest rate trend, continuously optimized the asset and liability structure, and enhanced risk measurement capabilities. During the reporting period, the control of bank account interest rate risks was considerable, and all indicators were within the limit.

## Liquidity Risk

Liquidity risk refers to the risk of a commercial bank failing to obtain sufficient funds timely at reasonable cost to repay debt due, perform other payment obligation and meet other funds demand to conduct normal business.

The Bank established liquidity risk management governance structure following the principle of separate functions of policy formulation, implementation and supervision, and specified the function, responsibility and reporting line of the Board of Directors and its special committee, Board of Supervisors, senior management, Asset and Liability Management Committee and relevant departments in liquidity risk management, so as to enhance the effectiveness of liquidity risk management.

The Bank strictly implemented regulatory regulations and internal policies, in accordance with the Board of Directors liquidity risk appetites requirements, adhered to prudent and stable liquidity risk management strategies, strengthen day-to-day liquidity management, increased and allocated high-quality liquidity assets, maintained appropriate and reasonable reserves, and provided kept payments and clearing safe and smooth payments and settlements. The Bank continued to optimize the asset-liability structure and prudently managed risk exposures. By virtue of internal transfer price tools, the Bank actively adjusted the total amount of asset and liabilities, structure of liabilities and cash flow gap limit and, extended the duration of liabilities, improved the stability of liabilities and reduced term mismatch. The Bank measured, evaluated, monitored and controlled the Bank's liquidity risk indicators by means of several liquidity risk management tools and technology. The Bank also conducted regular liquidity risk stress tests on a quarterly basis and supplementary liquidity risk stress tests in particular periods to analyze the capabilities to withstand liquidity risk and mitigate its own risk under various stress scenarios. In addition, the Bank conducted liquidity emergency drills on a regular basis to verify the effectiveness and timeliness of emergency measures to ensure that the Bank's liquidity situation is safe and stable under various emergencies.

## Risk Management

As at the end of the reporting period, the Bank's relevant indicators including LCR were as follows:

Unit: RMB'00,000,000

Item	2021 31 December	2020 31 December
LCR (%)	172.47	144.78
High-quality liquid assets	5,216	3,178
Net cash outflow in the next 30 days	3,024	2,195
Liquidity ratio (%)	72.54	70.81
Liquid assets	8,703	7,732
Liquid liabilities	11,997	10,921

In accordance with the requirements for Measures for the Information Disclosure on the Net Stable Funding Ratio of Commercial Banks promulgated by the China Banking and Insurance Regulatory Commission, the information of the net stable funding ratio in 2021 is disclosed as follows:

Unit: RMB'00,000,000

Item	2021 31 December	2021 30 September
Net stable funding ratio (%)	109.54	105.96
Stable funds available	18,279	17,434
End-period value of net stable funding needed	16,686	16,453

## Operational Risk

Operational risk refers to the risk of loss, including law risk, but excluding strategic risk and reputation risk, caused by imperfect or problematic internal procedures, employees, IT systems and external events. The Bank has established an operational risk management system that complies with regulatory agencies and the Group's requirements and is commensurate with the nature, scale and complexity of the Bank's business, and has controlled the bank-side operational risk losses within the preferred limits approved by the Board of Directors.

During the reporting period, the Bank continued to improve the operational risk management capabilities, so as to prevent major operational risk events and reduce operational risk losses. 1) The Bank optimized various process management tools used in areas such as operational risk and control self-assessment, key risk indicators monitoring, as well as loss data collection, and consolidated the risk identification effectiveness, and improved the risk monitoring sensitivity. 2) The Bank strengthened risk control in key risk areas, conducted risk investigations in credit granting business, wealth management business, asset custody business, deposit pledge business, as well as in third-party partners management etc., to effectively prevent regulatory punishments caused by business violations. 3) The Bank launched the operational risk management project under the Basel III final reform package, further perfected the operational risk management system, and laid a solid foundation for the compliant development of operational risk capital management in the next step. 4) The Bank increased empowerment in the whole bank offices, and conducted all kinds of training and publicity, such as interpreting internal and external regulations, publishing warning education journals, and holding special events for risk compliance, so as to improve employees' professional competence and their risk compliance awareness.

## Country Risk

Country risk refers to risks that economic, political or social changes and events occurred in a foreign country or region render borrowers or debtors in that country or region unable or unwilling to repay bank debts or cause the Bank to suffer commercial losses or other losses in that country or region.

The Bank strictly followed relevant regulatory requirements, adhered to the principles of prudence and steadiness, established a country risk management system in line with strategic objectives, risk status and complexity, and incorporated country risk management into the overall risk management system. The Bank continued to strengthen

country risk management, according to the country risk assessment results, the Bank divided relevant countries or regions into 7 internal ratings, corresponding to 5 risk levels: lower, low, medium, high and higher, and carried out classified management on each risk level. Moreover, the Bank identified, measured, monitored and controlled country risks in a timely manner, regularly assessed country risk levels and conducted limit management for businesses bearing country risks, and guided businesses to be inclined to low-risk countries, and submitted major issues involving country risk management policies, adjustment of limit plans etc., to the Board of Directors for deliberation and decision. At the end of the reporting period, the scale of the Bank's country risk creditors was relatively small, the risk level of the countries involved was lower, sufficient country risks impairment provision was made, and the country risk was controllable on the whole.

## Reputation Risk

Reputation risk refers to the risk of negative evaluation on the Bank by stakeholders, the public and the media due to the actions of the Bank offices at all levels, actions of employees or external events, thus damaging the Bank's brand value, detrimental to the Bank's normal operations, and even affecting the market stability and social stability.

During the reporting period, guided by president Xi Jinping's Thoughts on Socialism with Chinese Characteristics in New Era, the Bank carefully implemented the spirits of president Xi Jinping's important elaboration on news and publicity work, and strengthened the construction of mechanisms and systems in accordance with the regulatory requirements, strengthened the guidance of online public opinions, quickly responded to sensitive public opinions, and adhered to a normalized work mechanism. Throughout the year, there were no significant reputation risk, and the public opinions were stable. 1) The Bank further improved governance structure and strengthened the reputation risk management mechanism. The Bank strengthened the CPC leadership over reputation risk management, and the Party Committee of the Head Office incorporated reputation risk management into political education and ideological management, and organized and held the 2021 reputation risk management work conference in the whole bank; the Bank strengthened the performance of duties by directors, supervisors and senior management; In line with regulatory requirements and under the principles of forward-looking, matching, full coverage and effectiveness, the Bank restructured the systems and work requirements, revised the CGB Reputation Risk Regulations, and improved the reputation risk management system. 2) The Bank further highlighted forward-looking management and strengthened public opinion risk management. The Bank optimized the potential reputation risks identification



## Risk Management

mechanism, strengthened assessment and evaluation, and systematically and comprehensively identified weak links and potential risks in operational management and business marketing. At critical time points, the Bank strengthened public opinion research and risk warnings to build a strong barrier for risk prevention. 3) The Bank further strengthened public opinion monitoring and strengthened the disposal of sensitive public opinions. The Bank properly handled various potential public opinion risks and sensitive reports, and responded in a timely and efficient manner. The Bank further deepened positive publicity, strengthened the guidance of online public opinions, and responded to social concerns in a timely and proactive manner to create a favorable atmosphere for public opinions. 4) The Bank further strengthened the normalization and enhanced the capabilities of reputation risk disposal. The Bank established an optimized reputation risk prevention mechanism linked to complaints, accusations, mediation and litigation, and responded and resolved reasonable demands in a timely manner. The Bank strengthened reputation risk training and drills, and held differentiated special training programs for employees at different levels and positions to continuously enhance the Bank's awareness of reputation risk prevention. The Bank audited reputation risk management, checked and filled deficiencies, and continued to optimize the reputation risk management mechanism.

### Strategic Risk

Strategic risk refers to the risk that the strategy does not match the market conditions and the Bank's capabilities due to the ineffectiveness of the Bank's strategy making and execution or due to changes in external operating conditions. Strategic risk management refers to the effective identification, assessment, control and reporting of strategic risks by establishing and formulating relevant systems and mechanisms, identifying and resolving the problems in strategic management such as positioning goals, development policies, and business models, thereby avoiding or minimizing material adverse impacts on the Bank.

The Bank proactively formulated its development strategies in combination with internal and external environment and policy orientation with three to five years as a strategic planning period in accordance with the planning cycle of national macro-economy, promptly carried out dynamic adjustments of the strategic planning according to changing situations, and corrected strategy implementation deviation through regular strategic evaluation, in order to prevent adverse impacts on the Bank's stable operation due to improper strategic decisions or ineffective strategy implementation. The Bank will not step in business fields unless it has relevant knowledge, resources

and risk management capabilities. New products and new businesses shall be launched upon completion of approval procedures and based on necessary resources, technologies, processes and risk management capabilities. For the performance of the "14th Five-year Plan" of China Life Group and the Bank, the Bank will do a good job of publicity and transmission upon the release of the "14th Five-year Plan" during the planning period, and decompose strategic tasks, for the purpose of "highlighting retails, enhancing corporate business, and optimizing financial market performance", insist on stable operation, solidify the foundation of business and management, strengthen risk management and control, reduce risk costs, and improve comprehensive returns. The Bank will strengthen tracking and post-supervision evaluations on strategy implementation process to further solidify and consolidate the Bank's strategic advantages.

During the reporting period, to regularly evaluate strategy implementation, the Bank oriented itself to the market, dynamically evaluated the staged strategic objectives and the effects and deficiencies of strategy implementation, analyzed the opportunities and challenges in the future, and proposed pertinent development strategies for the following period. Meanwhile, the Bank regularly monitored and evaluated strategic risks under the comprehensive risk management system.

During the reporting period, the Bank's strategic risks were controllable on the whole and had no material adverse impacts on the Bank's normal business operation and management.

### Compliance Risk

Compliance risk refers to the risk of legal sanctions, regulatory punishments, significant financial losses and reputation losses resulting from a commercial bank's failure to obey laws, administrative laws and regulations, departmental rules and other normative documents, as well as industry standards, codes of conduct and professional ethics of self-regulatory authorities. During the reporting period, the Bank continued to pay close attention to the latest changes in laws and regulations, timely internalized external regulations and strengthened process monitoring, organized compliance training and publicity, and carried out monitoring, identification, assessment and prevention of compliance risks. The Bank continuously intensified the preliminary compliance review for new products and new businesses, and prevented compliance risks in on and off-balance sheet business innovations.

During the reporting period, focusing on the implementation of CPC Central Committee's decisions and faced with complex external conditions and severe compliance

case prevention situations, the Bank hold the bottom line of “no systemic risks occurred”, and designated 2021 as the “Year of Strengthening Compliance and Case Prevention”, continuously strived to enhance the Bank’s ability of compliance management. By optimizing the “1+N” compliance risk control system, the Bank constantly solidify the compliance base, strengthened the long-term mechanism for internal control and compliance management. In 2021, through a series of events, like “Year of Internal Control and Compliance Management Construction” and “Year of Strengthening Compliance and Case Prevention”, the Bank advanced the optimization of all systems in the whole bank; strengthened the construction of compliance duty performance, carried out ordinary supervision on employees’ behaviors, conducted comprehensive inspections in the whole bank, gave full play to the assessment, accountability, incentive and constraint system. The Bank also held innovative events in the whole bank, like “Compliance and Case Prevention Stories in My Life” Contest, vigorously advocating the cultural philosophies, such as “Compliance is the Bottom Line and Lifeline”, “Compliance Creates Value”, thus operating in accordance with laws and regulations to ensure business development.

Over recent years, anti-money laundering and anti-terrorist financing at home and abroad has been under “strong supervision, strict supervision and deep supervision”. The Bank deeply employed the “risk-based” anti-money laundering method, and further established a sound anti-money laundering risk control system. During the reporting period, with the objective of “fully enhancing money laundering risk management capability”, the Bank comprehensively benchmarked with various new anti-money laundering regulatory requirements, actively promoted the optimization of anti-money laundering mechanism, anti-money laundering team building and the technology empowerment, which enhanced its money laundering risk control capability; reconstructed the self-assessment system for money laundering and terrorist financing in accordance with new regulatory requirements to enhance the effectiveness of risk evaluation and control; also increased the awareness and capability of anti-money laundering duties through tiered training and internal and external publicity activities. In addition, the Bank has been actively cooperating with regulators to organize the Guangdong-Hong Kong- Macao Greater Bay Area Anti-Money Laundering Forum, build a platform for anti-money laundering exchange in the Greater Bay Area and promote “government + enterprises+ academic + research” linkage of anti-money laundering in Guangdong, Hong Kong and Macao.

## Information Technology Risk

Information technology risk refers to the operational risks, legal risks and reputation risks arising from natural factors, human errors, technical vulnerabilities and management defects during the application of information technology by a commercial bank. In practice, the Bank’s information technology risk management includes business continuity management and outsourcing risk management.

The Bank has set up an organizational structure for IT risk management, with IT department as the “first line of defense”, the IT risk management department as the “second line of defense” and the auditing department as the “third line of defense”. The Bank specified its goals, principles and frameworks for the IT risk management, formulated an institutional framework with information technology risk identification, assessment and monitoring as the main body, set forth policies covering production, operation and maintenance, development testing, information security, business continuity, outsourcing risk management strategies.

In the area of IT technology risk management, the Bank continued to improve the IT information technology risk management system. During the reporting period, the Bank formulated a regulatory report submission system based on data governance requirements, established a regular meeting mechanism for information sharing and communication among the three lines of defense in IT information technology risk management, and enriched IT information technology risk monitoring indicators, carried out special risk assessments in key areas such as data security management and IT information system event management under the Data Security Law and other national laws and regulations; at the same time, the Bank organized Branches carry out self-inspection and random inspection of IT information technology risk management, strengthen the bank staffs awareness of IT technology risk prevention through thematic training, and improve staffs ability to perform their duties.

In the area of business continuity management, the Bank has established a business continuity management system to meet regulatory requirements and the Bank’s actual needs. The Bank has built up the information system architecture with “two locations and three centers”, namely Foshan Nanhai Data Center, Guangzhou intra-city backup center and Beijing off-site disaster recovery center. The disaster recovery system has full coverage of business continuity management of a critical information system, meeting the Bank’s business continuity management requirements. During the reporting period, the Bank proactively took measures to deal with business continuity during the pandemic and initiated separation

## Risk Management

mechanism for personnel at the main and standby sites, which effectively ensured the continuous operation of the business. The continuity plan was issued based on the latest identified business impact analysis and risk assessment, and the construction of backup resources was completed. Additionally, the Bank carried out the annual general emergency plan drill, actual switching drill of important information systems, disaster recovery drill, actual combat drill, and simulated drill. During the drills, the Bank's emergency response organizational structure, reporting route and emergency measures were comprehensively tested, and the emergency response and disposal capabilities of all staff were improved.

In the area of outsourcing risk management, the Bank has embedded outsourcing risk management requirement throughout the implementation of outsourcing projects and enabled hierarchical and phased control of outsourcing projects. During the reporting period, the Bank continued to strengthen outsourcing risk warnings, improved the outsourcing management system, and consolidated outsourcing risk management by self-inspection and random inspection of IT information security risks of outsourcing projects across the Bank and on-site inspections of important outsourcers.

### Exposure of Risks with Significant Amounts

According to the Administrative Measures for Exposure of Risks with Significant Amounts of Commercial Banks promulgated by China Banking and Insurance Regulatory Commission, significant amount exposure refers to the exposure of commercial banks to a single customer or a group related customers in excess of 2.5% of their Tier 1 capital. The Bank made great efforts to the management of significant amounts exposure risk by setting internal limits, dynamically monitored changes in exposure of risks with significant amounts and set early warnings, continuously to promote information system building and enhance the Bank's capability to prevent significant amounts exposures. At the end of the reporting period, the Bank's significant amounts exposure was controlled within the regulatory limit.

### Internal Control

The Bank has formulated the objectives and principles of internal control in accordance with relevant requirements of the Commercial Bank Law, the Guidelines on Internal Control of Commercial Banks and other laws and regulations, promoted the establishment of an internal control system consisting of five major elements including internal environment, risk assessment, control activities, information and communication and internal supervision, with the aim of managing and controlling the entire process of the Bank's operation and management, which continuously optimized its internal control system

in practice. During the reporting period, the Bank has strengthened its system, compiled the Bank's Internal Control Standard Manual (2021 Edition), continuously improved the overall inspection and co-ordination management mechanism, comprehensively implemented the "Year of Internal Control and Compliance Management Construction" events, carried out the "Strengthening Internal Control and Focusing on implementation", made a research on the construction of information sharing platform which integrates internal control with compliance.

### Actively optimization of the institutional systems.

The Bank organized relevant departments to summarize its institution characteristics of line management systems, clarified the level and logical relationship between institutions, sorted out and compiled systems by different categories, established a bank-wide rules and regulations structure to improve the rationality and integrity of constitutional systems. The Bank urged head office and branches to align with the latest regulatory regulations, summarized the problems within the systems performance, continuously updated and improved the internal system, ensured that the systems should cover critical compliance areas and management aspects.

### Continuous improvement in inspection and co-ordination management mechanism.

The Bank strengthened collective management of internal control compliance inspections, standardized inspection practices and reinforced the supervision and inspection functions on the first and second lines of defense, and improved the quality and effectiveness of the Bank's internal control and compliance inspections. The Bank applied internal control standard manuals and procedures to sort out results, continuously extended and improved checkpoints and inspection methods, integrating the inspection management system with integrated process, evaluated the effectiveness of each business process control by inspections, strengthened the closed-loop management of rectification to improve the long-run mechanism of internal control.

### Full implementation of the "Year of Internal Control and Compliance Management Construction" events.

To carry out the *Notice for the Banking and Insurance Industries to Conduct the Event: Year of Internal Control and Compliance Management Construction*, the Bank organized a bank-wide event, with a comprehensive inspection and assessment of the 10 key elements of the work proposed by regulators, made evaluation and acceptance of head office and branches in the rectification of major problems, also in the rectification and accountability for self-checking problems of internal control compliance, and in the organization of the event; seized the opportunity to consolidate the foundation of internal control compliance management and improve the level of internal control compliance management.

**Strengthening internal control and focusing on implementation.** Focusing on critical business areas such as corporate governance, the Bank organized all levels of the Bank to actively carry out investigations, highlighted top-level compliance, strengthened system implementation, strengthened case prevention and accountability management, organized and promoted various tasks of “strengthening internal control and focusing on implementation”. The Bank reinforced problems rectification tracking, profoundly analyzed the causes of problems, and promoted corrective actions in terms of the root causes such as processes and systems. The Bank continued to strengthen system execution and compliance case prevention, and constantly promoted the improvement of internal management mechanism.

**Building an information sharing platform which integrates internal control with compliance.** The Bank steadily constructed an integrated platform for internal control and compliance, with rational layout, and launched platform functions in rational layout. The Bank fully promoted the phase 1 functions, and kept optimizing and improving system management, case prevention, accountability management and other functional modules, added system training examination and learning center, enabling entire employees grid-based online management. The Bank made steady progress in the phase 2 functional construction, focusing on production supervision and inspection modules to realize bank-wide inspection such as collective planning, inspection process unified standardization, inspection problems unified management, and rectification execution process management, which effectively improved the bank-wide inspection and problem rectification tracking management level.

## Internal Audit

The Bank operates an independent vertical internal audit management system. Internal audit department carries out its work under the direct leadership of the Board of Directors and the CPC Committee, to which it is accountable and reports its work. The Board of Directors has ultimate responsibilities for the independence and effectiveness of internal audit. The Audit Committee under the Board of Directors manages and guides the bank-wide audit with the authority from the Board of Directors. The Head Office has set up an Audit Department and four Regional Audit Centers in Guangzhou, Beijing, Shanghai and Wuhan to perform supervision independently, evaluation and consulting functions. During the reporting period, the Audit Department took active response to the pandemic, following the communist leadership and national strategies, focusing on the critical concerns of China Life Group and the CPC Committee of the Head Office, enriching audit approaches, innovating audit methods, and helping improve the Bank's operation and management level.

**Focusing on key risks, management upgrade.** During the reporting period, the Bank's internal audit focused on critical business areas, multidimensionally sorted out important management processes and risk areas, put forward suggestions for management improvement; promoted audit transformation, and strengthened the supervision of leadership performance. Auditors conducted unannounced inspections of branches to promote the healthy and sustainable development of non-local institutions. The Bank carried out rectification and verification of inspection problems, and improved audit closed-loop management. Internal audit played the role of continuous supervision, put forward timely audit suggestions, promoted the application of audit results, and effectively improved management effectiveness and governance level.

**Audit digitization, accelerating the construction of information technology.** Focusing on the implementation of the CGB Data Auditing Three-year Plan, the Bank has built up systems, cited data, shaped models, optimized mechanisms, strengthened capabilities, fully improved data audit infrastructure, accelerated technology empowerment; explored the reform of internal audit work model led by data auditing, made continuous monitoring and special analysis on main areas, revealed risks timely, and improved management processes; conducted intelligent audit and intelligent risk control key projects construction, empowered intelligent risk control construction with data audit capabilities, and realized audit capability output; reshaped auditing management platform, and added power to intelligent audit.

**Strengthening internal and external communication, integrating into the joint supervision system.** The Bank continued to strengthen the information sharing and cooperation on the second and third lines of defense, promoted the coordination, cooperation and business exchanges among internal audit, internal control and compliance, risk management, discipline inspection and supervision departments, established a joint prevention and control mechanism to form a supervisory synergy; strengthened cooperation with the CBIRC and the National Audit Office and other external regulators, to keep abreast of regulatory concerns and the latest requirements, and create a favorable external regulatory environment.

**Optimizing the structure of auditors, higher quality of audit team.** The Bank strengthened the construction of the audit team, improved the professional skills and comprehensive quality of the auditors; reinforced the incentive and restraint mechanism, optimized the professional structure of the audit team, and improved the overall performance of the whole team.

# Capital Management

## Capital Allocation and Management

The Bank implemented capital-intensive management and strove to build up a development model centering on capital management and value management. During the reporting period, the Bank carried out comprehensive arrangement on the total capital, and reasonably restricted the over-expansion of risk-weighted assets according to the management objective of the capital adequacy ratio, and maintained capital adequacy ratio in line with regulatory requirements. Meanwhile, the Bank constantly improved the resource allocation and operation management mechanism, adopted the guideline of economic value-added and risk-adjusted return on capital, further promoted “reduction on capital and assets” business development, and strove to realize the maximum return on risk-weighted assets.

During the reporting period, the capital adequacy ratios at all levels continued to exceed regulatory requirements.

## Capital Adequacy Ratio

### Overview of Capital Adequacy Ratio

The Group calculates its capital adequacy ratio in accordance with the Administrative Measures for Capital Management of Commercial Banks (Trial) and other regulatory requirements promulgated by the CBIRC. The particulars at the end of the reporting period are as follows:

Unit: RMB'000

Item	2021 31 December
Total net capital	291,211,830
Including: Core Tier-1 capital	189,509,685
Deductions of core Tier-1 capital	(2,799,864)
Net core Tier-1 capital	186,709,821
Other Tier-1 capital	44,991,071
Deductions of other core Tier-1 capital	—
Net Tier-1 capital	231,700,892
Tier-2 capital	59,510,938
Deductions of Tier-2 capital	—
Total risk-weighted assets	2,354,160,171
Including: Credit risk-weighted assets	2,173,998,296
Market risk-weighted assets	35,699,989
Operational risk-weighted assets	144,461,886
Core Tier-1 capital adequacy ratio (%)	7.93
Tier-1 capital adequacy ratio (%)	9.84
Capital adequacy ratio (%)	12.37

Notes: 1. Scope of calculation of capital adequacy ratio: The Group's consolidated basis includes CGB Wealth Management and all domestic and overseas branches.

2. Measurement methods for risk-weighted assets concerning various risks: method of weighting for credit risk-weighted assets, standardized approach for market risk-weighted assets and basic indicator approach for operational risk-weighted assets. During the reporting period, there was no significant change in the measurement methods for various risk weighted assets concerning credit risk, market risk and operational risk, the risk measurement system and relevant capital requirements.

3. In accordance with the Administrative Measures for Capital Management of Commercial Banks (Trial), the Group's capital instruments entitled to preferential policies during the transition period are the RMB4.5 billion subordinated bonds issued by the Group in 2012.



## Strategic Cooperation with Major Shareholders

### Capital Composition

For more details of the Bank's capital composition according to the Regulations on Disclosure of Capital Composition of Commercial Banks issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website ([www.cgbchina.com.cn](http://www.cgbchina.com.cn)).

### Leverage ratio

For details of the Bank's leverage ratios according to the Administrative Measures on Leverage Ratios of Commercial Banks (Revised) issued by the CBIRC, please refer to "Investors Relationship" on the Bank's website ([www.cgbchina.com.cn](http://www.cgbchina.com.cn)).

### Capital Financing Management

The Bank was fully committed to implementing capital planning, strengthening capital management and enhancing capital strength. It proactively optimized asset structure, constantly enhanced profitability and realized the coordinated development of internal capital and risk weighted assets. Innovative capital explorations were conducted to broaden the capital replenishment channels and fully promote the diversified capital replenishment. During the reporting period, the Bank's application for additional share issuance has been approved by the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission, and the shareholders' payment and capital verification will be completed in January 2022, achieving a core tier 1 capital replenishment of RMB18.37 billion.

### Implementation of Basel III

At the CBIRC guidelines, the Bank developed and established the internal rating system and optimized the models and supporting systems, and deepened the application of internal rating outcomes in risk management fields, like authorization management, industry access, credit policy, loan pricing, post-loan management, economic capital measurement, and asset impairment calculation.

Based on the above work, the Bank tightly followed the international capital supervision reform and promoted the implementation of the Basel III final solution, orderly worked on optimizing the measurement of credit risk, operational risk and market risk, providing a more effective and scientific data base, statistical methods and analytical approaches to actively create conditions for the implementation of new capital management requirements in the future.

The Bank carried out all-around cooperation with its major shareholders in the principle of complementary advantages and mutual benefits. During the reporting period, the Bank cooperated with China Life Insurance Company Limited and members of its superior group in the fields including commission-based insurance distribution, commission-based fund distribution, cash management, investment banking, asset management, asset custody, inter-bank business and other fields, and achieved remarkable effects. Based on the business philosophy of "one customer, one China Life", through the linkage of insurance, investment and banking, the Bank continuously improved the customer-centric "finance + ecology + technology" integrated financial supply system, enhanced abilities to serve the country's development and real economy.

The Bank partnered with State Grid Yingda International Holding Group Co., Ltd. and other member companies of its parent company in such areas as commission based insurance distribution, commission-based fund distribution, asset custody, and interbank business; the Bank cooperated with CITIC Trust Co., Ltd. mainly in the field of trust agency, investment banking, asset custody and interbank credit granting; the Bank cooperated with Jiangxi Communications Investment Group Co., Ltd. mainly in the field of deposits, loans, bond underwriting, asset custody, etc.

# Outlook on the Future Development of the Bank

## Competitive landscape and Trends

The year of 2021 was the opening year of the “14th Five-year Plan”. Under the strong leadership of the CPC Central Committee, China’s national economy recovered steadily in general, and stable monetary policy remained flexible, precise and moderate, while the nation’s banking industry was resolute in the implementation of central governmental decisions, purported to serve for the real economy, rooted in new development stage, to fully, accurately, integrally implement the new development ideas, actively serve for the new development layout and drive high quality growth. In 2021, it showed that the nation’s banking industry maintained a steady trend to serve the national strategies and perform social responsibilities, including a steady growth of assets and liabilities, stable net interest margin at a low level, intermediate business income increasing rapidly, profit levels raising gradually, assets quality improving in general, enhanced risk offsetting capacity and stable capital adequacy level, which played a key role in maintaining stable economic and social development.

However, under the impacts of pandemic, century-rare changes are underway, external conditions become more complicated and uncertain, domestic economy is facing the shrinking demands, impacted supply, weakened expectations. The Central Economic Work Conference requires that the macro economy shall prioritize stability while pursuing progress, actively introduce policies conducive to economic stability, keep the economy operating within a reasonable range, and maintain overall social stability in 2022.

Looking forward, in 2022, Chinese banking industry is expected to maintain stable operation. Under the background that the stability is prioritized in the macroeconomy, the sound monetary policy remains flexible and moderate, and the proactive fiscal policy is adopted to improve efficiency, the assets, liabilities and business operations of Chinese banking industry will remain

steady growth, the stability of credit volume growth will be improved, the credit structure will achieve reasonable optimization, the profitability will keep stable, and the asset quality and risk compensation indicators will be at rational levels. Furthermore, the internal development of the industry will be somewhat differentiated, and the specialized operation and featured development will become more distinct. The banking industry will continue to serve the real economy and actively integrate itself into national development profile, with a focus on national major strategies, key fields and parts, to serve for common prosperity, deepen the supply side restructuring, boost regional concerted development, enlarge domestic demands, upgrade industries, strengthen China’s comprehensive powers by science and technology, manufacturing, quality, network etc., build a digital and beautiful China, and constantly improve the quality and efficiency of serving the real economy by finance.

## 2022 Business Plan for the Year 2022

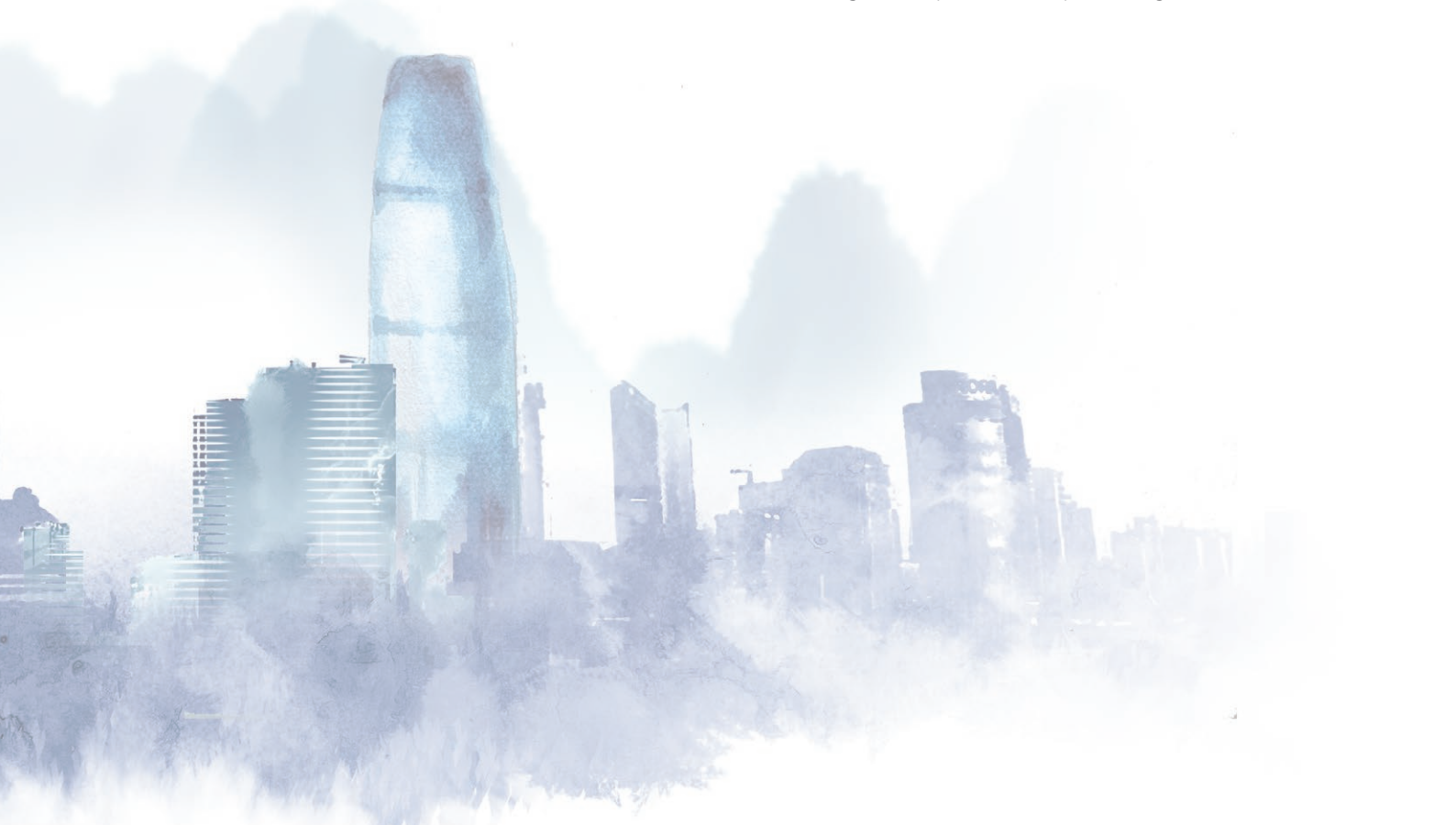
2022 is the year of the 20th National Congress of the Communist Party of China, and the year of deepening the implementation of the “14th Five-Year Plan” strategic plan. Based on the new stage of development, the Bank will continue to comprehensively implement new development concepts, serve to build a new development pattern, and continuously promote high-quality development by following the general requirements of “prioritize stability while pursuing progress”. We will earnestly focus on the following task: **“Returning to the source, and starting from the heart”**, we will focus on improving the quality and efficiency of serving the real economy, continue to deepen financial services in key regions such as Beijing-Tianjin-Hebei, the Greater Bay Area, and the Yangtze River Delta, vigorously develop green finance, and continuously enhance financial services in areas such as inclusive finance, private enterprises, and strategic emerging industries, and effectively support the real economy. **“Seizing the day and accelerating the transformation and upgrading”**, we



will focus on high-quality development to promote business transformation and improve the quality, strike a balance between social value and economic value, scale growth and capital consumption, income and risk, continue to strengthen the construction of valuable customer base, and continuously improve the innovation capacity of products and services, and strive to build a better asset-liability structure and a lighter profit model. **“Sticking to the right path and innovation, and developing steadily based on its accumulated strength”**, we will create differentiated advantages, highlight the characteristics of “comprehensive finance, retail transformation, and rooted in the Bay Area”, and strive to build a leading comprehensive financial characteristic bank in the industry with the collaboration between CIRC and CBRC as the main focus; enhance the overall retail competitiveness of Guangfa Bank, give full play to the traditional advantages of credit cards to help expand domestic demand and consumption upgrades; seize opportunities such as the construction of an international technology innovation center and a free trade zone in the Bay Area to build a cross-border financial brand in the Bay Area. **“Strictly controlling the risks, and stabilizing the foundation”**, we will focus on comprehensive risk prevention and control, keep an eye on unstable and uncertain factors in the macroeconomic environment, focus on risk management and control in key areas, closely monitor the risks from large clients, improve risk monitoring and early warning capabilities, and strictly control asset quality to further consolidate the foundation of risk prevention and control.

## Possible Risks and Responses

At present, the domestic economy is showing a steady recovery in general, and the momentum of economic development has been further strengthened. However, the global epidemic prevention and control situation and international economic and trade relations are complex and volatile. The domestic economic recovery is uneven and the foundation is not yet solid, and some industries and small, medium and micro enterprises still face certain difficulties in production and operation. Due to a certain lag in risk exposure, potential risks will still exist for a period of time in the future, and the Bank's asset quality management and control will still face certain challenges. To this end, the Bank will focus on promoting the following work: Firstly, the Bank will keep a good entrance, improve risk consolidated management, and strictly control quality of assets. Secondly, the Bank improved its risk monitoring and early warning capabilities, improved risk early warning and early intervention mechanisms, and achieved early identification, early warning, early detection and early disposal. Thirdly, the Bank focused on risk management and control in key areas, established and improved the risk management and control mechanisms for inter-bank and partner institutions, paid close attention to the risks of large-value customers, and strengthened the investigation and monitoring of Ganga real estate, government financing platforms, high-carbon areas, credit cards and retail consumer credit. Fourthly, the Bank insisted creating value from collection, and promoted the clearing and disposal of non-performing assets.





## Environmental and Social Responsibilities

The Bank has always adhered to its social responsibilities philosophy of focusing on “human development and achieving harmony and mutual benefits”, practiced the service concept of “accompanying you and serving you wholeheartedly”, implemented the decisions and arrangements of the CPC Central Committee, proactively served for national strategies and the overall development situation, and practically served the real economy and the people’s livelihood, helped consolidate and expand the effective linkage between poverty relief and rural revitalization, took active part in public welfare and charity to give back to society, and contributed to the realization of common prosperity.

### Inclusive finance for people’s livelihood

The Bank actively fulfilling the responsibilities of the central enterprises members, actively integrated into and served for China’s major strategies, developed inclusive finance, helped stabilize enterprises and ensure employment, and effectively supported the development of real economy.

**In-depth development of inclusive finance.** The Bank practically performed social responsibilities for inclusive finance, improved the online risk control core of inclusive finance, enriched the product system of inclusive finance, focused on standardized credit products, and marketed high-quality small-micro corporate customers in line with the national industrial development direction. At the end of the reporting period, the Bank’s balance of inclusive loans to small-micro enterprises was RMB135.826 billion, achieving an increase of 21.98% over the beginning of the year; there were 261,900 customers with loan balances, achieving an increase of 14,600 customers from that in the beginning of the year; the balance of inclusive agriculture-related loans was RMB16.490 billion, achieving an increase of 39.69% over the beginning of the year; the number of

customers with loan balances was 186,500, achieving an increase of 34,500 over the beginning of the year; the balance of financial precision assistance loans was RMB16.697 billion, achieving an increase of 18.36% over the beginning of the year.

**For real economy and public welfare.** The Bank strengthened its social responsibilities, serving the real economy and people’s livelihood through actions. The Bank stabilized enterprise growth and ensured employment, provided credit supports and security measures, and strengthened credit support for disaster relief and disease control. At the end of the reporting period, the Bank supported nearly 400 customers in response to COVID-19 pandemic, with a credit balance of nearly RMB14 billion, strictly implemented various discount policies required by the regulators, and meanwhile enlarged autonomous reduction and exemption. The total amount of reduction and exemption for the year was approximately RMB2.7 billion.

### Rural revitalization, common prosperity

The Bank carefully implemented the work arrangements of CPC Central Committee and the State Council to boom the rural areas, established the trinity mechanism of CPC leadership, rural revitalization, operation & management, and performed the decisions of the CPC Central Committee with visible effects.

**Implementing responsibilities and strengthening organizational leadership.** The Bank set up a rural revitalization work leadership team & office, to secure the collective planning and action of rural revitalization organizationally. The party secretary and team members went to poverty alleviation localities to understand the actual situation, and put forward effective assistance measures for the most urgent demands from the people, and effectively promoted the rural revitalization.



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**Targeted poverty relief.** The Bank improved the top-level design, prepared and published the *CGB Implementing Plan for Effective Linkage between Poverty Relief and Rural revitalization during the 14th Five-Year Plan Period*, the *CGB Work Plan 2021 for Rural revitalization*, the *CGB Financial Service Work Plan for Rural revitalization*, and the *CGB Leaders' Work Plan for Rural Revitalization in Targeted Localities*, to fully commence the rural revitalization project. All levels of the Bank carefully implemented the poverty relief support tasks, for example, the Bank undertook the tasks of supporting 64 villages, sent 49 leaders to villages, gave full play to the active roles of supporting leaders, the chief secretary stationed in villages, and team members stationed in townships, and increased the working effects of rural grassroots organizations. The Bank enhanced industry supports, continuously stimulated the endogenous driving force for the development of local featured industries, and helped the people realize their hope for long-term wealth and stable income. The Bank enlarged education supports, subsidized students Ganga in difficulty, organized practical agricultural technology training, labor transfer employment training, and financial knowledge popularization etc., to support them in knowledge and wisdom. The Bank enlarged consumption supports, and optimized and operated the CGB Rural revitalization Special Zone through the Discover Wonders app, CGB app and other channels. At the end of the reporting period, the Bank sold poverty relief supporting products in a total value of RMB16 million, and the bank-wide procurement and support sales exceeded RMB30 million. All parties worked together to help local industries embark on market-oriented path with "industry + company" model.

**Financial support to rural revitalization.** The Bank reinforced the top-level design, built a long-term financial support mechanism for rural revitalization, prepared and published the CGB Financial Services Work Plan for Rural revitalization. For the overall goal of "prosperous industry, livable ecology, civilized villages, effective governance, and affluent life", in the keynote of "locality specific, industry specific, stable operation, controllable risks", the Bank released secured fund supply quotas at preferential interest rates, through green approval channel, offering small loans to poverty-stricken population, took a series of financial assistance measures and business policies such as "government + banking + insurance" model to fully support the national rural revitalization strategies. The Bank launched Rural revitalization Loan, Rural E-Loan, Personal Precision Support and Operation Loan and other product solutions, continuously optimized and implemented preferential interest rate policies and credit card fee reduction policies for the off-poverty households, which enabled 100% of the off-poverty households issued with the cards benefited from preferential interest rate. The Bank took the synergistic advantage of "One China Life" to provide integrated financial services to the affected people, sole proprietors, new agricultural business entities, etc., forming a layout of multi-party assistance and joint support.





## Environmental and Social Responsibilities

### Guarding the Ecology, Creating a green bank

The Bank actively implemented the major strategic deployments of the CPC Central Committee and the State Council on “carbon peaking and carbon neutrality”, practiced the development concepts, such as: “innovation, coordination, greenness, openness and sharing”, “Lucid waters and lush mountains are invaluable assets”, integrated ecological and environmental requirements into the development strategy and corporate governance process, actively participated in ecological civilization, increased support for green, low-carbon and circular economy from a strategic height, prevented environmental and social risks, improved our own environmental and social performance, optimized credit restructuring, and promoted high-quality development.

**Top-level design for carbon peaking and carbon neutrality goals.** The Bank developed the *CGB Financial Work Plan for Carbon Peaking and Carbon Neutrality Financial Support*, further clarified the target area and industry positioning under the carbon peaking and carbon neutrality goals, took the opportunities and faced the challenges of the “14th Five-year Plan” period as the window and critical period to the carbon peaking goal, improved critical measures and security mechanisms, fully advanced the green finance efforts, and tried to realize both sustainable business development and environmental protection.

**Capacity building, focus on environmental risks.** The Bank further improved the customer environmental and social risk assessment standards, took differentiated and dynamic credit policies, practiced the “one-vote veto system for environmental protection” and maintained a list of customers with major environmental and social risks,

and continued to improve environmental and social risk management capabilities and skills. In 2021, the Bank participated in the PBOC climate risk stress test to assess the potential impact of the transition to the carbon peak & carbon neutrality on the Bank’s credit assets. The test results showed that under the stress scenario, the credit risk of the Bank’s customers in the thermal power, steel and cement industries increased, but the impact on the Bank’s capital adequacy was generally under control.

**Product variety, green finance.** Taking “ecological +” as the mainline, by the advantages of integrated financial services, the Bank strongly developed green finance, enriched green financial products, issued structured deposit products linked to carbon neutral ETFs, promoted carbon emission pledge business, carried out green bond underwriting business, and promoted the integrated development of rural revitalization and green finance. For example, our syndicated loan-supported urban water supply facility upgrades and reconstruction project was listed into “2020 Guangdong Excellent Green Finance Innovation Cases”. At the end of the reporting period, the Bank’s green credit balance increased by 50.85% year-on-year, and various green bond investments increased by 211.90% year-on-year.

**Green operation, green life.** The Bank advocated green office and energy saving, promoted emission reduction, and increased green operation level by greatly promoting paperless office, setting equipment and facility energy saving goals, and rationally preparing official vehicle use plans. The Bank actively empowered the front line, continuously innovated the mobile financial service model, and fully enhanced the online digitalization capabilities. At the end of the reporting period, the environmental protection effects created by the Bank’s mobile banking transactions reduced carbon emissions by 530,000 tons for the whole society.

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## Hand in hand to build a better homeland

The Bank insisted on the service concept of “accompanying you and serving you wholeheartedly”, continuously built the consumer rights protection system, improved the employee development platform, erected a public welfare platform to gather employees and customers’ cares and loves to give back to society, and worked hand in hand with employees and customers to build a better homeland.

**Platform for employee’s growth.** The Bank persistently created first-class conditions for employees’ growth, career development and success, employees-oriented, attentive to employee’s demands, respected the value of employees, and benefited all employees with the development results. The Bank established a multi-level training system covering all employees, multi-sequence development channels, as well as various experience opportunities such as job rotation, secondment employment and exchange positions to fully support employees’ career development. The Bank held competitions such as Charming CGB, the CGB Product Experts, the Shuzhi Cup and the New Bud to provide a platform for employees to display their talents. The Bank maintained supplementary medical insurance and insurance plans for employees and also for their families, and provided anti-epidemic supplies for each employee during the pandemic. At the end of the reporting period, the Bank was selected from more than 80,000 participating enterprises as one of the top 30 “Best Employers in China of the Year 2021”.

**Public welfare platform.** The Bank actively explored ways to integrate with social demands, took active part in public welfare undertakings, erected a platform to gather employees and customers’ cares and loves for public welfare, and maximize the effectiveness of public welfare resources. CGB Hope Charity Fund for the purpose of “light up hope, light up life”, paid long-term attention to the educational development and the healthy growth of the youth in underdeveloped areas, and interacted with partners, cardholders, the public and other parties to participate in public welfare. At the end of the reporting period, the Bank’s cumulative investment exceeded RMB9.78 million, a year-on-year increase of 31.86%. In Guangxi and Hubei, there are 25 schools have been successively upgraded on teaching equipment and related facilities, further consolidated the results of the poverty relief achievements; held Guangdong Charity Walk event, repaired 6 rural primary schools in Shangrao Town, Raoping County, Guangdong Province, donated to build their teaching facilities and auxiliaries, donated personal equipment for pupils, helped rural education and benefited more than 10,000 teachers and pupils.

In order to further promote public welfare, the Bank designated the anniversary day of 8 September each year as the CGB Love Day. During the event, the Bank raised charity funds, established youth volunteering teams, cared for employees and gave back to society among others, by which, the Bank united the employees and the general public to benefit the entire society.



## List of Honors

01

### People's Bank of China

Second Prize of Financial Technology Development

07

### China Central Depository Trust & Clearing Co., Ltd.,

Excellent financial bond issuer

02

### China Banking Association

Best Demonstration Unit for Civilized and Standardized Service of Bank Outlets, Good News of China's Banking Industry

08

### The Asian Banker

"Best Pension Financial Service in China" Award, "China's Annual Network Security and IT Risk Management Technology Implementation" Award, and "Best Conversational Artificial Intelligence Project in China" Award

03

### RAIPWCFI

Excellent unit of ideological and political work in the national financial system

09

### Financial Times

Best Bank of the Year in Brand Building

04

### Chinese Financial Workers' Union

National Financial May 1st Labor Award

10

### Securities Times

"Outstanding Service Bank of Guangdong-Hong Kong-Macao Greater Bay Area" Award

05

### China Association for Quality

Publishing and Training Demonstration-level Technical Achievement Award of National Six Sigma Project (the highest award)

11

### China Securities Journal

Golden Bull Award for Wealth Management Bank, Golden Bull Award for Bank Wealth Management Products

06

### World Brand Lab

China's 500 Most Valuable Brands

12

### National Business Daily

China's Golden Tripod Award - Green Finance Award of the Year, Outstanding Credit Card Award of the Year

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**21st Century Business Herald**

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**Southern Metropolis Daily**

Best cross-border financial product

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**Economic Observer**

Outstanding Bank of the Year for Customer Experience

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**League of American Communications Professionals (LACP)**

LACP Platinum Award for Annual Report

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**China Business Journal**

Excellent Bank for Inclusive Finance Implementation

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**International ARC Awards**

ARC Gold Award for Annual Report

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**First Financial Daily**

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**China.org.cn**

Outstanding Inclusive Finance Bank of the Year, Outstanding Retail Bank of the Year

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**Nanfang Daily**

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Outstanding Financial Services Innovation Award, Outstanding Mobile Banking app Award

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**Guangzhou Daily**

Financial Institution with Outstanding Contribution to Rural Revitalization

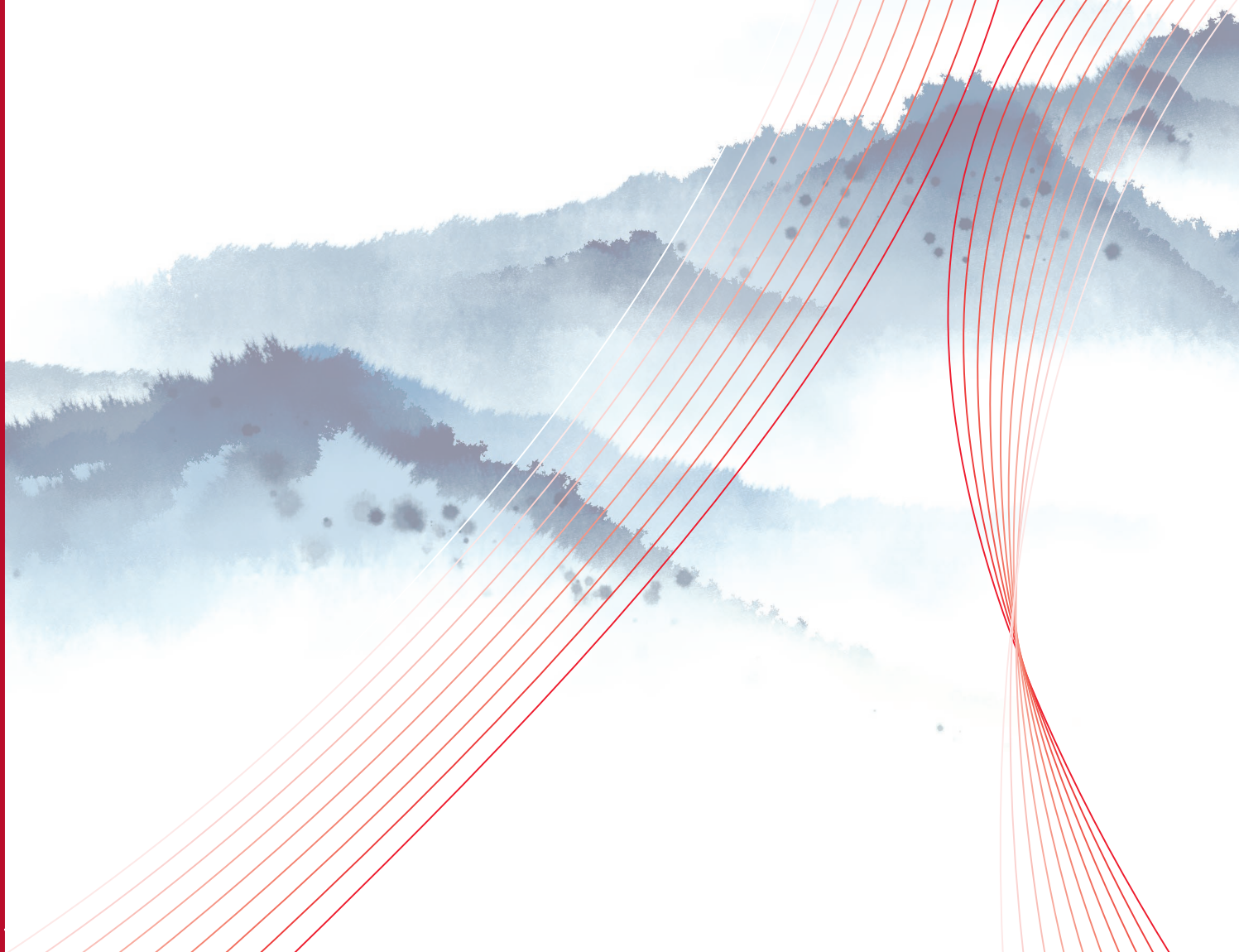
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# 创新发展 激发动能

According to the National “14th Five-Year Plan”, the Bank will insist on taking innovation as the core driving force to promote the high-quality development of the Bank, determine the development direction of “digital GUANGFA” and deepen financial technology innovation. In line with the trend of scenario- and platform-based financial services with openness, the Bank will empower the upgrading of consumption and industry with financial technology, build an ecosystem featuring “finance + technology + C, G, B”, and shape new mode of digitalized operation on the whole, so as to create a smart bank with the best customer experience.



## Significant Events

### Preliminary Profit Distribution Proposal

The Bank appropriated 10% or RMB1.748 billion of the net profit of RMB17.476 billion in the audited 2021 financial statements to the statutory surplus reserve; RMB3.109 billion equivalent to 1.5% of the balance of risk assets will be appropriated to the general reserve. A cash dividend of RMB0.813 (tax inclusive) per every 10 shares will be paid to all shareholders, amounting to RMB1.772 billion.

The above profit distribution plan is subject to approval at the 2021 annual general meeting of the Bank.

### Changes in Shareholding of Top 10 Shareholders during the reporting period

During the reporting period, the top ten shareholders of the Bank didn't have any changes in shareholding.

### Increase or Decrease of Registered Capital

During the reporting period, the registered capital of the Bank remained unchanged.

### Acquisition or Sale of Assets, Division and Merger of Enterprises

During the reporting period, the Bank made no significant acquisition or sale of assets or division or merger.

### Significant Lawsuits and Arbitrations

During the reporting period, the Bank didn't have any significant lawsuits or arbitrations.

As of the 31 December 2021, the Bank still has pending litigation or arbitration cases as a defendant or respondent with a principal amount of RMB11.831 billion (including RMB10.841 billion involved in the litigation arising from Huizhou Qiaoxing Risk Incident). The Bank has made the corresponding provision for the estimated progress of the involved lawsuit cases and disputes in accordance with relevant provisions. The aforesaid events may have an impact on the Bank's financial position or business results to a certain extent.

### Significant Events Concerning Custody, Guarantees, Commitments and Entrustment of Asset Management during the reporting period

#### Major Custody, Contracting and Leasing

During the reporting period, there were no major events concerning custody, contracting and leasing of other companies' assets or custody, contracting and leasing of the Bank's assets by other companies apart from the asset custody business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

#### Material Guarantees

During the reporting period, there were no material guarantee events apart from the financial guarantee business conducted by the Bank within the business scope as approved by China Banking and Insurance Regulatory Commission.

#### Entrustment of Cash Asset Management

During the reporting period, there were no events concerning the entrustment of cash asset management.



## Connected Transactions

### Overview of Connected Transactions

Pursuant to the Administrative Measures for Connected Transactions between Commercial Banks and Their Insiders or Shareholders issued by China Banking and Insurance Regulatory Commission and the Governing Rules for Connected Transactions of China Guangfa Bank Co., Ltd., the Bank adheres to the following principles when conducting connected transactions: Abide by relevant laws, regulations, provisions, national unified accounting policies and relevant banking regulatory rules; comply with the principles of honesty, credibility and fairness; keep to commercial principles and carry out the connected transactions under terms not favourable to those for non-connected parties. The Bank's Board of Directors is responsible for approving special substantial connected transactions; the Connected Transaction Control Committee under the Board of Directors performs the duties of connected transaction management and supervision, and the senior management is responsible for guiding and coordinating connected transaction management of the Bank.

On 31 December 2021, the credit balances between the Bank and the connected parties under the calibre of the CBIRC was approximately RMB18.277 billion (accounting for 6.39% of the net capital on 31 December 2021), of which, the balance of various loans was RMB5.389 billion, the balance of bond investment was RMB1.384 billion, the balance of investment in special purpose vehicles was RMB1.12 billion, the balance of other on-balance sheet credit was RMB7.513 billion, the balance of irrevocable commitments and contingent liabilities was RMB2.267 billion, the balance of the Bank's non-principal guaranteed wealth management products was RMB595 million, and the balance of other off-balance sheet credit was RMB10 million. The accumulative amounts of connected transactions of non-credit was approximately RMB136.824 billion, of which, the amount of connected transactions in asset transfer (the direction of asset transfer in) was RMB4.829 billion, and the amount of connected transactions in asset transfer (the direction of asset transfer out) was RMB8.165 billion, the amount of connected transactions in the provision of services (in the direction of providing services) was RMB456 million, the amount of connected transactions in the provision of services (in the direction of receiving services) was RMB79 million, and the amount of other connected transactions was RMB123.295 billion (mainly cash transactions, etc.).

On 31 December 2021, the credit balances between the Bank and the natural persons affiliated with the CBIRC was approximately RMB1.069 billion, mainly for credit card business (3,408 persons) and personal loans (339 persons); The transactions amount of non-credit business was approximately RMB349,000, mainly for financial expenses. The aforementioned related natural persons include related natural persons of major shareholders of the Bank, key management personnel of the Bank and their close relatives, other persons who have the authority to decide or participate in the credit business and asset transfer of the Bank and their close relatives, etc.

The connected transactions between the Bank and connected parties in daily business follow commercial principles and are conducted on conditions no better than similar transactions with non-connected parties. The Bank's credit balance to a single connected party does not exceed 10% of the Bank's net capital, and the total credit balance to a single shareholder and its controlling shareholder, actual controller, connected parties, persons acting in concert, and ultimate beneficiaries does not exceed this 15% of the bank's net capital. The connected transactions between the Bank and connected parties have no negative impact on the Bank's operating results and financial position. For the specifics of connected transactions, please refer to "Connected party relationships and transactions" in Note 9 to the financial statements of this report.

### Substantial Connected Transactions

1. Approved by the 12th meeting of the 8th Board of Directors on 6 November 2019, the 6th interim meeting of the 8th Board of Directors for 2019 on 21 December 2019 and the 1st extraordinary shareholders' general meeting for 2020 on 14 January 2020 through deliberation, the Bank verified the connected transaction amount in 2020-2022 for China Life Insurance (Group) Company and its controlling company ("China Life Insurance Group"), State Grid Corporation of China and its controlling company ("State Grid Group"), CITIC Corporation Limited and its controlling company ("CITIC Corporation") and Jiangxi Communications Investment Group Co., Ltd. and its holding company ("Jiangxi Communications Group"); the Bank entered into the Framework Agreement on Daily Connected Transactions (2020-2022) with China Life Insurance Company Limited, effective for three years from 1 January 2020 to 31 December 2022. Approved by the 3rd interim meeting of the 8th Board of Directors of the Bank for 2020 on 8 April 2020, the Bank entered into the Framework Agreement on Connected Transactions (2020-2022) with China Life Pension Company Limited, effective to 31 December 2022.

## Significant Events

On 31 December 2021, the Bank's transactions with major shareholders and their connected parties under the calibre of the CBIRC are as follows:

### **(1) Connected transactions of credit granting business**

The upper limit of connected transactions of credit business between the Bank and China Life Insurance Group, State Grid Group, CITIC Corporation and Jiangxi Communications Group in 2021 is RMB55.5 billion, RMB22 billion, RMB36 billion and RMB18 billion respectively. On 31 December 2021, the credit balances were RMB3.896 billion, RMB2.146 billion, RMB2.918 billion, and RMB251 million respectively.

### **(2) Connected transaction of non-credit business**

On 31 December 2021, the accumulative amounts of connected transactions of non-credit between the Bank and China Life Insurance Group, CITIC Corporation and State Grid Group were RMB86.177 billion, RMB43.955 billion and RMB912 million respectively.

The aforesaid transactions didn't exceed the connected transaction amount cap between the Bank and China Life Insurance Group, State Grid Group, CITIC Corporation and Jiangxi Communications Group in 2021, or the transaction amount cap specified in the Framework Agreement on Daily Connected Transactions (2020-2022) entered into between the Bank and China Life Insurance Co., Ltd.

2. Approved by the 4th meeting of the 9th Board of Directors of the Bank and the first extraordinary general meeting of shareholders in 2021, the Party Committee of the Bank held the 44th meeting in 2021 to determine the list of investors for the additional issuance of shares in 2021. A total of 31 registered shareholders and 3 new investors participated in the additional issuance with a total subscription amount of about RMB18.370 billion, and a subscription price of about RMB8.7364 per share, with a total subscription of about 2.103 billion shares. China Life Insurance Co., Ltd. subscribed for approximately RMB8.025 billion, and after the completion of the additional share issuance, the shareholding ratio of China Life Insurance Co., Ltd. remained unchanged at 43.686% of the Bank. The price and conditions of the additional issuance that China Life Insurance Co., Ltd. participates in will not be superior to other investors. The funds for China Life Insurance Co., Ltd. to participate in this additional issuance all come from its own funds, and the sources of funds are legal, and there are no non-own funds such as entrusted funds and debt funds.

The 5th meeting of the ninth Board of Directors of the Connected Transaction Control/Inclusive Finance

Development Committee and the 13th conference of the 9th Board of Directors of the Bank reviewed and approved the "Proposal on China Life Insurance Co., Ltd.'s Participation in the Connected Transaction of China Guangfa Bank", the independent directors of the Bank issued independent opinions that agreed, and related directors abstained from voting.

### **NPL Balance of Connected Transactions**

On 31 December 2021, the Bank had the NPL balance in connected transactions of RMB2,674,500, all of which were personal credit business.

### **Penalties on the Bank, its Directors and Senior Executives by Relevant Regulatory and Judiciary Authorities**

According to the information disclosed by the State Supervision Commission of the Central Commission for Discipline Inspection on 8 January 2022, Wang Bin is suspected of serious violations of discipline and law, and is currently undergoing disciplinary review and supervision investigation by the State Supervision Commission of the Central Commission for Discipline Inspection. During the reporting period, he concurrently served as Director and Chairman of the Bank; and he has submitted a written resignation report to the board of directors which has taken effected.

### **Engagement and dismissal of Accounting Firms**

Subject to the resolution made in the 3rd Extraordinary General Meeting of Shareholders of the Bank in 2021, the Bank appointed PricewaterhouseCoopers Zhongtian LLP as the Bank's 2021 external auditor. It will audit the Bank and issue an audit report in accordance with the 2021 financial statements prepared in the light of the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards respectively.

### **Other Significant Events**

On 20 January 2021, the Bank's 2021 First Extraordinary General Meeting of Shareholders reviewed and approved the "Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Decide and Handle Specific Matters of Additional Share Issuance in 2020". On 19 December and 30 December 2021, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission approved the Bank's additional share issuance plan, and the targeted issuance of no more than 2,102,664,439 new shares.

## Changes in Shareholding and Shareholders' Profile

### Changes in Shareholding

Unit: Share

Nature of shares	Before changes during the year	Shareholding (%)	Changes during the year Increase (decrease)	After changes during the year	Shareholding (%)
Shares held by the State	53,448,906	0.271	0	53,448,906	0.271
Shares held by State- owned legal entities	18,789,831,169	95.442	19,956,566	18,809,787,735	95.543
Shares held by individuals	1,515,765	0.008	0	1,515,765	0.008
Shares held by other domestic investors	842,400,432	4.279	(19,956,566)	822,443,866	4.178
Total	19,687,196,272	100.000	–	19,687,196,272	100.000

### Number of Shareholders and Shareholdings

As at the end of the reporting period, there were a total of 454 institutional shareholders and 1,286 natural-person shareholders in the Bank, holding 19,687,196,272 shares.

### Pledged and Frozen Shares

At the end of the reporting period, totally eight shareholders (whose shares accounted for 2.95% of the total share capital) of the Bank were involved in judicial freezing of pledged equity.

At the end of the reporting period, there were no pledged or frozen shares for a single shareholder holding 5% or more of the Bank's shares. Jiangsu Suzhou Steel Group Co., Ltd. with nominated/appointed supervisors in the Bank, pledged their shares in the Bank with a pledge proportion of 99.997%. The pledged equity of Jiangsu Suzhou Steel Group Co., Ltd. (whose shares accounted for 1.13% of the total share capital) was involved in judicial freezing.

# Changes in Shareholding and Shareholders' Profile

## Profile of Top 10 Shareholders at the end of the reporting period

Unit: Share

Name of shareholders	Increase/decrease during the reporting period	Shares held	Shareholding (%)
China Life Insurance Company Limited	–	8,600,631,426	43.686
State Grid Yingda International Holdings Co., Ltd.	–	3,080,479,452	15.647
CITIC Trust Co., Ltd.	–	3,080,479,452	15.647
Jiangxi Communications Investment Group Co., Ltd.	–	1,611,255,772	8.184
AVIC Investment Holding Co., Ltd.	–	762,469,249	3.873
Guangdong Utrust Investment Holdings Co., Ltd.	–	317,757,229	1.614
Brilliance Auto Group Holding Co., Ltd.	–	223,596,793	1.136
Jiangsu Suzhou Steel Group Co., Ltd.	–	222,777,231	1.132
HeungKong Group Co., Ltd.	–	148,544,461	0.755
Beijing Energy Holding Co., Ltd.	–	133,349,884	0.677
Total	–	18,181,340,949	92.351

- Note:
1. As at the end of the reporting period, the relationship between "China Life Insurance Company Limited" and "AVIC Investment Holding Co., Ltd." constituted a connected relationship.
  2. As at the end of the reporting period, the connected party "State Grid Shanghai Power Company" of "State Grid Yingda International Holdings Co., Ltd" held 0.110% shares in the Bank.
  3. The Bank's total share capital was 21,789,860,711 shares after the completion of the issue of 2,102,664,439 new shares on 20 January 2022.

## Introduction of Shareholders Holding 5% or More of the Bank's Shares

### China Life Insurance Company Limited

China Life Insurance Company Limited is a life insurance company established on 30 June 2003 in Beijing, China. According to the Company Law of the People's Republic of China and the Insurance Law of the People's Republic of China and was successfully listed on the New York Stock Exchange, the Hong Kong Stock Exchange and the Shanghai Stock Exchange on 17 and 18 December 2003, and 9 January 2007, respectively. The company's registered capital is RMB28.265 billion and its legal representative is Bai Tao (in the process of changing the industrial and commercial registration procedures).

Its products and services include individual life insurance, group life insurance, accident and health insurance. It is a leading provider of individual and group life insurance, annuity products and accident and health insurance in China. China Life Insurance Company Limited is the leading life insurance company in China. The distribution network, comprising exclusive agents, direct sales representatives, and dedicated and non-dedicated agencies of the Company is the most extensive one in China. The company is one of the largest institutional investors in China, operates as the largest insurance asset manager in China through its controlling shareholding in China Life Insurance Asset Management Co., Ltd., and also has controlling shareholding in China Life Pension Company Limited.

### State Grid Yingda International Holdings Co., Ltd.

Established on 18 October 2007, State Grid Yingda International Holdings Co., Ltd. (formerly known as State Grid Asset Management Co., Ltd.) is one of the wholly owned subsidiaries of State Grid Corporation of China with a registered capital of RMB19.9 billion and its legal representative is Yang Dongwei. As the core enterprise of State Grid Yingda Group, it performs duties of operation and management upon the Group's affiliated companies in accordance with relevant laws.

### CITIC Trust Co., Ltd.

Established on 1 March 1988, CITIC Trust Co., Ltd. is a national non-banking financial institution focusing on trust business, under the regulation of the CBIRC. As the chairman unit of the China Trustee Association, it has the largest scale of assets under management and is one of the leading players in China's trust industry in terms of comprehensive operation strength. Its registered capital is RMB11.276 billion and its legal representative is Li Zimin, and its institutional shareholders are CITIC Corporation Limited and CITIC Industrial Investment Group Corp., Ltd. respectively.

### Jiangxi Communications Investment Group Co., Ltd.

Jiangxi Communications Investment Group Co., Ltd. was incorporated on 28 November 2009, with a registered capital of RMB9.505 billion and the legal representative of Wang Jiangjun. The Group has 12 wholly-owned and controlled subsidiaries (including one listed company), eight directly subordinate road-section management centers, 2 non-independent legal entities, 13 shareholding subsidiaries, with subordinate entities and employees reaching 733 and over 18,000 respectively. Its corporate credit is rated as AAA, and it has ranked among Top 500 in China's service industry for several consecutive years. It operates and manages 5,366 km expressway, accounting for 85% of the traffic mileage of the province. In addition to expressway investment, construction, operation and management, it also engages in engineering construction, financial investment, roadside resources development etc.

## Major Shareholders, Controlling Shareholders, Actual Controllers, Connected Parties, Persons Acting in Concert, and Final Beneficiary

In accordance with the Interim Measures for Equity Management of Commercial Banks, during the reporting period, the major shareholders of the Bank included China Life Insurance Company Limited, State Grid Yingda International Holdings Co., Ltd., CITIC Trust Co., Ltd., Jiangxi Communications Investment Group Co., Ltd., and Jiangsu Suzhou Steel Group Co., Ltd. According to the information provided by shareholders above, they did not have persons acting in concert in the Bank.

## Changes in Shareholding and Shareholders' Profile

The controlling shareholder of China Life Insurance Company Limited is China Life Insurance (Group) Company, the actual controller is the Ministry of Finance of the People's Republic of China, major connected parties include China Life Insurance Asset Management Co., Ltd., China Life Pension Company Limited, China Life AMP Asset Management Co., Ltd., China Life Property & Casualty Insurance Company Limited, China Life Investment Holding Company Limited and China Life (Suzhou) Elderly Care and Health Preservation Investment Co., Ltd., and the final beneficiary is China Life Insurance (Group) Company.

The controlling shareholder of the State Grid Yingda International Holdings Co., Ltd. is State Grid Co., Ltd., the actual controller is the State-owned Assets Supervision and Administration Commission under the State Council of the People's Republic of China, and major connected parties include State Grid Yingda Co., Ltd., China Power Financial Co., Ltd., Yingda Taihe Property Insurance Co., Ltd., Yingda Taihe Life Insurance Co., Ltd., Yingda Chang'an Insurance Brokerage Co., Ltd., and State Grid International Leasing Co., Ltd., and the final beneficiary is the State-owned Assets Supervision and Administration Commission of the State Council of the people's Republic of China.

The controlling shareholder of CITIC Trust Co., Ltd. is CITIC Limited, the actual controller is CITIC Group Corporation, the major connected parties included, CITIC Limited, CITIC Juxin (Beijing) Capital Management Co., Ltd., CITIC Xinhui International Capital Co., Ltd., and the final beneficiary is CITIC Group Corporation.

The controlling shareholder and actual controller of Jiangxi Communications Investment Group Co., Ltd. is the Department of Transportation of Jiangxi Province, the major connected parties include Jiangxi Highway Development Co., Ltd., Jiangxi Ganyue Expressway Co., Ltd., Jiangxi Transportation Engineering Group Co., Ltd., Jiangxi Changxing Expressway Service Area Development and Management Co., Ltd., Jiangxi Transportation Consultancy Co., Ltd., Jiangxi Expressway Group Finance Co., Ltd., Jiangxi Expressway Asset Management Co., Ltd. and Jiangxi Ganchong Expressway Co., Ltd., and the final beneficiary is the Department of Transportation of Jiangxi Province.

The controlling shareholder of Jiangsu Suzhou Steel Group Co., Ltd. is Founder Industry Holdings Co., Ltd., the actual controller is the Ministry of Education of the People's Republic of China, the major connected parties are Peking University Asset Management Co., Ltd., Peking University Founder Group Co., Ltd., and the final beneficiary is Ministry of Education of the People's Republic of China.

From 1 January to 13 December 2021, Guangdong Utrust Trust and Investment Co., Ltd. held 1.614% of the Bank's shares, and its shareholding ratio did not reach 5%. However, since Mr. Chen Neng, a shareholder supervisor, was dispatched to the Bank, he was managed as a major shareholder in accordance with the relevant requirements of the "Interim Measures for Equity Management of Commercial Banks" (China Banking Regulatory Commission [2018] No.1). On 13 December 2021, Mr. Chen Neng resigned as a shareholder supervisor of the Bank, and Guangdong Utrust Trust and Investment Co., Ltd. no longer sent a supervisor to the Bank, so it will no longer be a substantial shareholder of the Bank after 13 December 2021.



## Directors, Supervisors, Senior Executives and Staff

### Directors, Supervisors and Senior Executives

#### Incumbent Directors, Supervisors and Senior Executives

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB'000)
Bai Tao	Director and Chairman of the Board of Directors	Male	58	To be approved by regulatory authorities	–
Wang Kai	Director, Vice Chairman and President	Male	49	2021/05/17	–
Su Hengxuan	Director	Male	58	2020/09/29	–
Yin Yi	Director and Executive Vice President	Male	59	2016/12/15	209.00
Zhang Di	Director	Female	53	2017/04/05	–
Yang Dongwei	Director	Male	51	2021/04/02	–
Liu Lixiao	Director	Male	47	2020/06/11	–
Cai Chengwei	Director	Male	52	2016/12/15	–
Dai Jiakai	Director	Male	49	To be approved by regulatory authorities	–
Liu Xiangyang	Director	Male	43	2020/06/11	–
Tang Xiaoqing	Independent Director	Male	67	2016/12/15	44.50
Chen Yachu	Independent Director	Male	66	2017/04/05	46.50
Guo Yunzhao	Independent Director	Male	55	2020/09/29	46.00
Chen Shimin	Independent Director	Male	63	2021/01/08	39.00
Zhao Xudong	Independent Director	Male	62	2020/09/29	42.00
Luo Yubing	Employee Supervisor and Chairman of the Board of Supervisors	Male	52	2020/10/16 (Employee supervisor) 2020/11/16 (Chairman of the Board of Supervisors)	176.00
Chen Jiyou	Shareholder supervisor	Male	36	2016/12/27	19.60
Li Wenjing	External supervisor	Male	42	2017/06/26	31.50
Li Weiyi	External supervisor	Male	40	2020/06/23	32.00
Fan Junxiong	Employee supervisor	Male	59	2011/10/13	123.84
Wu Dahao	Employee supervisor	Male	56	2017/11/17	130.84
Zheng Xiaolong	Vice President	Male	58	2021/03/04	154.00
Xu Hongxia	Vice President and President of Beijing Branch	Female	59	2018/08/22	154.00
Chen Xiangrong	Secretary of Discipline Inspection Committee	Male	57	2018/07/11	154.00
Li Guangxin	Secretary to the Board of Directors	Male	50	2019/09/06	154.00
Lin Deming	Vice President	Male	54	2021/06/07	154.00
Fang Qi	Vice President	Male	51	To be approved by regulatory authorities	154.00
Li Xiaoshui	President Assistant, and Director of the CPC Committee Office of Head Office, Head of the Publicity Department of the CPC Committee, General Manager of the Office and President of Zhongshan Branch	Male	47	2021/07/08	132.00
Zhang Wei	CSO, Head of Organization Department of CPC Committee of Head Office, and General Manager of HR Department	Male	47	2020/12/23	132.00

## Directors, Supervisors, Senior Executives and Staff

- Notes: 1. During the reporting period, Vice Chairman Wang Kai and Director Su Hengxuan didn't receive remuneration from the Bank.
2. With the consent of the major shareholders and the approval of the Bank's third meeting of the ninth Board of Directors and the second extraordinary general meeting of shareholders in 2020, the Bank will only pay allowances to Independent Directors and no longer to equity directors since the second quarter of 2020. The payment standard remains unchanged.
3. Among the incumbent directors, Mr. Bai Tao, Mr. Wang Kai, Mr. Su Hengxuan, Mr. Yin Yi and Ms. Zhang Di were nominated by China Life Insurance Company Ltd., Mr. Yang Dongwei and Mr. Liu Lixiao were nominated by State Grid Yingda International Holdings Co., Ltd., Mr. Cai Chengwei, and Mr. Dai Jiakai were nominated by CITIC Trust Co., Ltd., and Mr. Liu Xiangyang was nominated by Jiangxi Communications Investment Group Co., Ltd.

### Retired Directors, Supervisors and Senior Executives during the reporting period and as of the annual report disclosure date

Name	Title	Gender	Age	Appointment Date	Total pre-tax remuneration paid by the Bank during the reporting period (RMB0'000)
Yin Zhaojun	Former Director and Vice Chairman Former President	Male	56	2019/11/29 – 2021/01/05 2019/09/16 – 2021/01/05	–
Zong Lexin	Former Vice President	Male	56	2010/06/18 – 2021/01/05	146.57
Yang Fuming	Former shareholder supervisor	Male	48	2020/01/14 – 2021/06/30	24.02
Chen Neng	Former shareholder supervisor	Male	54	2021/10/28 – 2021/12/13	0
Wang Bing	Former Vice President	Male	55	2014/04/24 – 2021/12/24	154.00
Wang Bin	Former Director and Former Chairman	Male	63	2019/03/15 – 2022/02/21	–
Yang Kejing	Former External Supervisor	Male	52	2020/06/23 – 2022/03/25	23.80

- Notes: 1. During the reporting period, Mr. Yin Zhaojun did not receive remuneration from the Bank. Due to job change, Mr. Yin Zhaojun resigned from the position of Director, Vice Chairman and President of the Bank.
2. Due to job transfer, Mr. Zong Lexin resigned from the position of Vice President of the Bank. He received from the Bank a total of RMB1,465,700 of performance-based remuneration and deferred payment in the previous year.
3. On 30 June 2021, Mr. Yang Fuming resigned from the position of shareholder supervisor of the eighth Board of Supervisors of the Bank due to work reasons.
4. On 28 October 2021, Mr. Chen Neng was elected as the Shareholder Supervisor of the eighth Board of Supervisors by the third extraordinary general meeting of shareholders in 2021. On 13 December 2021, Mr. Chen Neng resigned from the position of Shareholder Supervisor of the eighth Board of Supervisors of the Bank due to work reasons. The pre-tax remuneration actually received by supervisor Chen Neng from the Bank during the reporting period was 0 as the Bank paid his pre-tax remuneration of RMB28,500 for 2021 at one time in the beginning of 2022 according to relevant requirements.
5. On 24 December 2021, the Board of Directors approved Mr. Wang Bing's resignation as Vice President of the Bank due to his appointment as the chairman of CGB Wealth Management Co., Ltd.
6. During the reporting period, Wang Bin did not receive remuneration from the Bank. Wang Bin resigned from the position of Director and Chairman of the Bank due to personal reasons.
7. On 25 March 2022, the Bank's first extraordinary general meeting of shareholders in 2022 approved Mr. Yang Kejing's resignation as the External Supervisor of the Bank.

## Main Working Experience and Positions of Directors, Supervisors and Senior Executives



**Mr. Bai Tao**

Mr. Bai holds a PhD in Economics and is a Senior Economist.

Mr. Bai currently serves as Director (designate) and Chairman (designate) of the Bank, and Secretary of the CPC Committee and Chairman of China Life Insurance (Group) Company.

Mr. Bai served as Secretary of the CPC Committee and Chairman of State Development & Investment Corp., Ltd.; Deputy Secretary of the CPC Committee, Vice Chairman and President of The People's Insurance Co. (Group) of China Ltd; Member of the CPC Committee, Deputy General Manager of China Investment Corporation; Member of the CPC Committee and Vice President of China Life Insurance (Group) Company.



**Mr. Wang Kai**

Mr. Wang holds a PhD in Economics and is a Senior Economist.

Mr. Wang currently serves as the Secretary of the CPC Committee, Director, Vice Chairman and President of the Bank, Member of the CPC Committee and Vice President of China Life Insurance (Group) Company.

Mr. Wang served as General Manager of the Capital Operations Department, Director of Financial Market Center, Secretary of the CPC Committee and President of Shanghai Branch of The Export-Import Bank of China. Since May 2020, he has assumed Member of CPC Committee and Vice President of China Life Insurance (Group) Company, Chairman of China Life Insurance (Overseas) Company Limited from September 2020 to April 2021, Secretary of CPC Committee of China Guangfa Bank Co., Ltd. since January 2021, and Vice Chairman and President of China Guangfa Bank Co., Ltd since May 2021.



**Mr. Su Hengxuan**

Mr. Su holds a PhD in Management and is a Senior Economist.

Mr. Su currently serves as Director of the Bank, Member of the CPC Committee and Vice President of China Life Insurance (Group) Company; and Secretary of the CPC Committee, Executive Director and President of China Life Insurance Company Limited.

Since 2000, he has served successively as the Deputy General Manager of China Life Insurance Company Limited Henan Branch, General Manager of Individual Insurance Department of Head Office, General Manager of Individual Insurance Sales Department, President Assistant and Vice President of Head Office and President of China Life Pension Company Limited. He has assumed Member of the CPC Committee and Vice President of China Life Insurance (Group) Company since December 2017, and assumed current position since December 2018.

## Directors, Supervisors, Senior Executives and Staff



**Mr. Yin Yi**

Mr. Yin holds a PhD in Economics and is a Senior Economist.

Mr. Yin currently serves as Deputy Secretary of the CPC Committee, Director and Executive Vice President of the Bank.

Since 2000, he has served successively as Deputy Director of General Office, Director of General Office (CPC Committee Office) at Head Office, Deputy Secretary of the CPC committee and Deputy President of Guangdong Branch, Secretary of the CPC Committee and President of Guangdong Branch; General Manager of Asset Disposal Department, General Manager of Special Asset Operation Department at the Head Office of Agricultural Bank of China; Member of the CPC Committee and Vice President of China Life Asset Management Company Limited. Previously, he worked in the Agricultural Bank of China as Assistant Director, Deputy Director and Director of Township Enterprises Division of Industrial Credit Department, Director of General Division of Agricultural Credit Department, and Director of Policy Inspection Division of Credit Management Department II.



**Ms. Zhang Di**

Ms. Zhang holds a Bachelor's Degree.

Ms. Zhang currently serves as Director of the Bank, Assistant President, Chief Investment Officer of China Life Insurance Company Limited and General Manager of Investment Management Center.

Since 2001, she has served in China Life Insurance Company Limited successively as Deputy Manager of Strategic Cooperation Division of Strategic Planning Department, Senior Manager of New Business Division and Senior Manager of Urban Business Division of Market Development Department, Senior Investment Manager (team leader) of Business Support Team, Senior Manager of Business Support Division, Senior Manager of Asset Allocation Management Division of Investment Management Department, Assistant General Manager, Deputy General Manager and Manager of Investment Management Department. Previously, she served successively as Manager of Beijing Zhongbaoxin Real Estate Development Co., Ltd. and Assistant General Manager of Investment Department of PICC Trust and Investment Company.



**Mr. Yang Dongwei**

Mr. Yang holds a PhD in Engineering and is a Senior Accountant.

Mr. Yang currently serves as Director of the Bank, Deputy Chief Economist of State Grid Corporation of China, Chairman and Secretary of the CPC Committee of State Grid Yingda International Holdings Group Ltd., and Chairman and Secretary of the CPC Committee of State Grid Yingda Co., Ltd.

Mr. Yang worked for Sanmenxia Electric Power Bureau in July 1992, successively assuming positions such as the Chief Accountant, Deputy Director, Member of the CPC Committee and Chief Accountant of Xuchang Electric Power Bureau, Director of Multi-operation Department of State Grid Henan Electric Power, Chairman and General Manager of Henan Electric Power Industry Group Limited, General Manager and Member of the CPC Committee of Sanmenxia Power Supply Corporation, Deputy Chief Economist of State Grid Henan Electric Power; Chief Accountant and Member of the CPC Committee of Luneng Group, Chief Accountant and Member of the CPC Committee of State Grid Shanghai Electric Power, Deputy Leader of Preparation Team of Yingda Commerce Service Co., Ltd.; Executive Director, General Manager and Deputy Secretary of the CPC Committee of State Grid E-commerce Corporation, Chairman and Secretary of the CPC Committee of State Grid E-commerce Corporation (State Grid Xiongan Financial Technology Group).



**Mr. Liu Lixiao**

Mr. Liu holds an MBA Degree and is a Senior Economist.

Mr. Liu currently serves as Director of the Bank, and Manager of Banking Department of State Grid Yingda International Holdings Group Ltd.

Since 2011, he has served successively as Senior Manager of Business Coordination Department, Senior Manager, Assistant Director, Deputy Director of Investment Management Department, Deputy Director, Director of Banking Department, Director of Insurance Business Department of State Grid Yingda International Holdings Co., Ltd.



**Mr. Cai Chengwei**

Mr. Cai holds a Master's Degree in Law.

Mr. Cai currently serves as Director of the Bank, Deputy General Manager of CITIC Trust Co., Ltd., Chairman of Allianz China Life Insurance Co., Ltd., and Director of CTI Capital Management Limited.

Since 2006, he has served successively as a Senior Manager of Risk Compliance Department, Deputy General Manager, General Manager of Compliance Management Department, Compliance Inspector, Deputy General Manager of CITIC Trust Co., Ltd. He once served as Chairman of CITIC Jinxiu Capital Management Co., Ltd., Supervisor of China International Economic Consultants Co., Ltd., and Employee Supervisor of CITIC Trust Co., Ltd.



**Mr. Dai Jiakai**

Mr. Dai holds an MBA Degree and is a Senior Economist.

Mr. Dai currently serves as candidate Director of the Bank, Deputy General Manager, Secretary to the Board of Directors and General Manager of BOD & BOS office of CITIC Trust Co., Ltd.; Secretary of the CPC Committee, General Manager and Director of China International Economic Consultants Co., Ltd.; Supervisor and Chairman of Board of Supervisors of CITIC Tourism Group Co., Ltd.; Supervisor of CITIC Jinxiu Capital Management Co., Ltd.

Since 2002, he has served successively as Deputy General Manager of Finance Planning Department, Deputy General Manager and General Manager of R&D Planning Department, General Manager of the Trust Business Department IV, General Manager of Risk Management Department, General Manager of Investment and Credit Management Department; CRO and CFO of CITIC Trust Co., Ltd.



## Directors, Supervisors, Senior Executives and Staff



**Mr. Liu Xiangyang**

Mr. Liu holds a Master's Degree in Engineering, and is a Senior Auditor.

Mr. Liu now serves as the Director of the Bank, Supervisor, Director of Investment Management Department of Jiangxi Communications Investment Group Co. Ltd., and Executive Director of Jiangxi Communications Investment Private Equity Fund Management Company.

Mr. Liu served successively as Vice Consultant of Audit Division of Jiangxi Provincial Department of Transportation, Director of Internal Control and Audit Department, Director of Risk Control and Audit Department, Director of Financial Management Department of Jiangxi Communications Investment Group Co., Ltd.



**Mr. Tang Xiaoqing**

Mr. Tang holds a PhD in Economics and is a Senior Economist.

Mr. Tang currently serves as Independent Director of the Bank.

From 2015 to 2021, Mr. Tang served as External Supervisor of the Board of Supervisors of Bank of Jiangsu. From 2009 to 2014, he served as member of the CPC Committee, Vice President and the Secretary of Discipline Inspection Committee of China Merchants Bank. From 2003 to 2008, he worked in CBRC and served successively as Head of CBRC Inner Mongolia Bureau, Head of CBRC Shanxi Bureau, Director of Supervision Department I, and Director of Finance and Accounting Department. From 1997 to 2003, he worked in the People's Bank of China and served successively as Head of Fund Planning Department and Credit Management Department, Deputy Director of Non-bank Financial Institutions Supervision Department, Deputy Director of Cooperative Finance Supervision Department and Vice President of Henan Branch. From 1996 to 1997, he worked in the Agricultural Bank of China and served as Deputy General Manager of the Market Development Department. From 1988 to 1996, he worked in the State Planning Commission and served successively as Deputy Division Director and Division Director of Fiscal and Financial Department. From 1982 to 1988, he served successively as Deputy Division director of Planning Bureau and Infrastructure Bureau of Chinese Academy of Sciences.



**Mr. Chen Yachu**

Mr. Chen holds an MBA degree and is a Senior Economist.

Mr. Chen currently serves as Independent Director of the Bank.

From 1995 to 2015, Mr. Chen served in the Agricultural Bank of China successively as: Director of Development and Planning Division, Director of Credit Management Division and Director of Correspondent Business Management Division, Director of Asset Risk Supervision Management Division, and Director of Credit Management Division of Shanghai Branch; Deputy General Manager of the Head Office Business Department; Vice President, Member of the CPC Committee, Deputy Secretary of the CPC Committee, Inspector (bureau level) of Shanghai Branch. Previously, he was a worker of Sanxing Agricultural Machinery Factory at Chongming County, Shanghai; and Deputy Chief of Enterprise Credit Subsection, Head and Deputy Chief of Credit Cooperation Section, Assistant President, Deputy President, Deputy Secretary of the CPC Committee and President of Shanghai Chongming County Sub-Branch of Agricultural Bank of China.





**Mr. Guo Yunzhao**

Mr. Guo holds a PhD in Management and is a Senior Engineer and an expert entitled to the special allowance from the State Council.

Mr. Guo currently serves as Independent Director of the Bank, President of GT&I Fund Management Co., Ltd. (Hainan) and Director of Woori Bank (China) Co., Ltd., Director of Yunkang Health Industry Investment Co., Ltd., Independent Director of China Insurance Investment Co., Ltd.

Mr. Guo served successively as the Deputy Chief Engineer and Assistant General Manager of China National BlueStar (Group) Co., Ltd., President of BlueStar Technology Academy, Senior Executive of several listed companies such as BlueStar Cleaning Co., Ltd., Xingchen Chemical New Materials Co., Ltd. and Southwest Chemical Machinery Co., Ltd., Director of Finance Department and Asset Management Department of China National Chemical Corporation, Chairman of China Jingu International Trust Co., Ltd., Deputy General Manager of China Gaoxin Investment Group Corporation, Director of CITICPE, Chairman of China Investment Trust Co., Ltd., Vice President of China Jianyin Investment Limited, Independent Director of Bank of Luoyang, and Director of Hainan Natural Rubber Industry Group Co., Ltd..



**Mr. Chen Shimin**

Mr. Chen is a Professor and a Certified Management Accountant of the United States.

Mr. Chen currently serves as Independent Director of the Bank, Professor in Accounting and Director of Case Center of China Europe International Business School, Independent Director of Advanced Micro-Fabrication Equipment Inc. China and External Supervisor of Postal Savings Bank of China.

Mr. Chen once assumed a Teacher of Shanghai University of Finance and Economics; Associate Professor and Professor in Accounting of the Clarion University of Pennsylvania; Associate Professor in Accounting of Hong Kong Lingnan University; Associate Professor in Accounting of the University of Louisiana at Lafayette; Associate Professor in Accounting and Deputy Director of School of Accounting and Finance of Hong Kong Polytechnic University.

Mr. Chen once served as Independent Director of Hangzhou Shunwang Science & Technology Co., Ltd., Zhejiang Wolvo Biotech Co., Ltd. and Anxin Trust Co., Ltd., and External Supervisor of SPD Bank Co., Ltd.



**Mr. Zhao Xudong**

Mr. Zhao is a Professor and Doctoral Tutor.

Mr. Zhao currently serves as Independent Director of the Bank, Professor, Doctoral Supervisor and Director of Commercial Law Research Center of China University of Political Science and Law, President of China Commercial Law Society, Member of Academic Committee of China Law Society, Vice President of Corporate Governance Research Society, China Behaviour Law Association and Director of iFLYTEK Co., Ltd.

Mr. Zhao once served as the Deputy Director General of the Department of Civil Administrative Inspection of Supreme People's Procuratorate, and Vice President of Civil, Commercial and Economic Law School of China University of Political Science and Law. Since 1999, he was successively honored as the Outstanding Young and Middle-aged Jurist of Beijing City; Nationwide 3rd Outstanding Young and Middle-aged Jurist; Excellent Teacher of Beijing City; New Century Outstanding Talent of the Ministry of Education; he was selected into Famous Chinese Contemporary Jurist in 2005; he was included into "Rule of Law in China – Top 100 Famous Jurists with Outstanding Contributions" in 2016; he was selected as the specially appointed professor of Chang Jiang Scholars Program of the Ministry of Education in 2008; he was honored as the National Ten Thousand Talent Program-Famous Teacher in 2018.

## Directors, Supervisors, Senior Executives and Staff



Mr. **Luo Yubing**

Mr. Luo holds a PhD in Economics and is an Economist.

Mr. Luo currently serves as Deputy Secretary of the CPC Committee of the Bank, Employee Supervisor and Chairman of the Board of Supervisors.

Mr. Luo joined the People's Bank of China in August 1991, and consecutively served as Vice Director of General Office, Deputy Secretary of the CPC Committee and Vice President of Wuhan Branch, Secretary of the CPC Committee and President of Lanzhou Central Sub-branch of the People's Bank of China and Director of Gansu Branch of State Administration of Foreign Exchange concurrently, Secretary of the CPC Committee and Director of Anti-money Laundering Monitoring Center, Secretary of the CPC Committee and Director of Credit Reference Center of the People's Bank of China, Deputy Secretary of the CPC Committee and Vice President of CGB.



Mr. **Chen Jiyou**

Mr. Chen Jiyou holds a master's degree in public administration.

Mr. Chen currently serves as Shareholder Supervisor of the Bank, Chairman of Jiangsu Suzhou Steel Group Co., Ltd., Chairman of Jiangsu Suxin Special Steel Co., Ltd., Member of Execution Committee, Assistant President, Secretary to the Board of Directors and Member of Supervisor Committee of Peking University Founder Group Co., Ltd., Director of Founder Industrial Holdings Co., Ltd. and Founder Electronics Co., Ltd.

Mr. Chen served successively as the Director of Strategy & Investment Department of Peking University Resources Group Co., Ltd., General Manager of Strategic Development Department of Founder Information Technology Co., Ltd., Director of Strategy and Assistant Chairman of Peking University Founder Group Co., Ltd., etc., Director of Jiangsu Suzhou Steel Group Co., Ltd., Supervisor of PKU Healthcare Cancer Hospital Management Co., Ltd.



Mr. **Li Wenjing**

Mr. Li holds a PhD in management and is a professor of accountancy, doctoral tutor.

Mr. Li currently serves as External Supervisor of the Bank. He is also Dean of Management School of Jinan University, Director of the Financial Cost Branch of China Accounting Society, Member of Professional Committee of Foreign Exchange of China Accounting Society, Correspondence Review Expert of National Natural Science Foundation of China, independent director of GF Securities Co., Ltd.

Mr. Li served successively as Independent Director of Midea Group, Guangzhou Devotion Thermal Technology Co., Ltd., Byhealth Co., Ltd. Guangzhou Longse Technology Co., Ltd., Shenzhen Xunfang Technology Co., Ltd. and Zhuhai Huajin Capital Co., Ltd.; Lecturer, Associate Professor and Dean of Accounting Department of Management School of Jinan University, during which, he ever worked as Postdoctoral Researcher at CEIBS.



Mr. **Li Weiyi**

Mr. Li holds a PhD in Civil and Commercial Law.

Mr. Li currently serves as External Supervisor of the Bank and General Manager of the Legal Affairs Department of North China Region of R&F Group, and Arbitrator of China International Economic and Trade Arbitration Commission.

Mr. Li once served as the Clerk and Judge of Beijing No.1 Intermediate People's Court, Judge of Beijing High People's Court, Senior Prosecutor, Leader Secretary and Deputy Division Head of the General Office of the Supreme People's Procuratorate.



Mr. **Fan Junxiong**

Mr. Fan Junxiong holds a bachelor's degree and a title of Political Affairs Specialist.

Mr. Fan currently serves as Employee Supervisor of the Bank, Supervisor of Party-Mass Relationship Department (Party Committee of the Bank)/Rural Revitalization Office/Work Department of Trade Union of the Bank, Member of Discipline Inspection Committee of the Bank, Member, Member of the Standing Committee and Vice Chairman of the Trade Union of the Bank, Deputy Secretary of the CPC Committee of the Head Office of the Bank.

Mr. Fan served successively as the Third Engineer in Cruise Company and teacher at the Training Center of Guangzhou Sea-Transport Administration Bureau; teacher, instructor and Deputy Chief of Training Section of Guangzhou Maritime Technical School; Deputy Section Level Discipline Supervisor, Section Level Discipline Supervisor, and Head of Case Handling Division of the Disciplinary Inspection and Supervision Office of Guangzhou Maritime Transport (Group) Co., Ltd.; cadre at section level of the Publicity Department of the CPC Committee of Guangzhou Maritime Transport (Group) Co., Ltd.; Manager, Deputy Director, Director, and Interim Head of Supervision Department (Discipline Inspection Office) of China Guangfa Bank, General Manager of Supervision Department (Discipline Inspection Office) of China Guangfa Bank.



Mr. **Wu Dahao**

Mr. Wu holds an MBA Degree and is an Economist.

Mr. Wu currently serves as Employee Supervisor of the Bank, General Manager of Security Department of the Head Office, Member of the CPC Committee and Secretary of Discipline Inspection Committee of the Head Office of the Bank.

Mr. Wu served successively as member of Organization Department of Former Sub-district Party Committee in Shantou City, Assistant Manager of Personnel Department of Shantou Branch of China Guangfa Bank, Vice President of Chenghai Sub-branch of China Guangfa Bank, Vice President in charge of Chaozhou Branch of China Guangfa Bank, Member of the CPC Committee and Vice President, Secretary of the CPC Committee and President of Shantou Branch of China Guangfa Bank, Secretary of the CPC Committee and President of Jiangmen Branch of China Guangfa Bank, and Director of Discipline Inspection Committee Office of the Bank.

## Directors, Supervisors, Senior Executives and Staff



**Mr. Zheng Xiaolong**

Mr. Zheng holds a Master's Degree in Economics.

Mr. Zheng currently serves as Member of the CPC Committee and Vice President of the Bank.

Mr. Zheng worked as a teacher in Electronic Industry Management Cadre College and served in Everbright International Leasing Co., Ltd. In 1996, he participated in China Guangfa Bank's acquisition of Zhong Yin Trust & Investment Co., Ltd. He served successively as Vice President in charge of Huizhou Branch of China Guangfa Bank; General Manager of the Planning and Management Department and the Head of Restructuring and Development Office of China Guangfa Bank; Secretary to the Board of Directors of China Guangfa Bank; Member of the CPC Committee and Chief Auditor of China Guangfa Bank.



**Ms. Xu Hongxia**

Ms. Xu holds a Master's Degree in Economics.

Ms. Xu currently serves as Member of the CPC Committee and Vice President of the Bank, Secretary of the CPC Committee and President of Beijing Branch of the Bank, Delegate of the Eleventh Congress of the CPC Committee of Tianjin.

Mr. Xu served successively as cadre of Western Suburbs Office, Industrial and Commercial Credit Division and the Division of Foreign Affairs of Tianjin Branch of the Agriculture Bank of China; Clerk, Deputy Chief, Chief, Assistant General Manager, Deputy General Manager and General Manager of International Business Department; President of the Bonded Area Sub-Branch; Member of the CPC Committee, Vice President and Deputy Secretary of the CPC Committee of Tianjin Branch of the Agriculture Bank of China; General Manager of the Business Department of the Agriculture Bank of China; Deputy Secretary of the CPC Committee and Vice President in charge of Tianjin Branch of the Agriculture Bank of China; Secretary of the CPC Committee and President of Tianjin Branch of the Agriculture Bank of China. She was also a Member of the Thirteenth Tianjin Committee of CPPCC (Economic Affairs).



**Mr. Chen Xiangrong**

Mr. Chen holds an MBA Degree and is a Senior Economist.

Mr. Chen currently serves as Member of the CPC Committee and Secretary of Discipline Inspection Committee of the Bank.

Mr. Chen served successively as Deputy Manager and Manager of Guangdong Xinhui County Sub-branch of China Life Insurance Company Limited; Secretary of Discipline Inspection Committee, Deputy General Manager in charge and General Manager of Guangdong Jiangmen branch of China Life Insurance Company Limited; Member of the CPC Committee of Guangdong Branch and General Manager of Guangzhou Branch of China Life Insurance Company Limited; Member of the CPC Committee and Deputy General Manager of Guangdong Branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Hunan Branch of China Life Insurance Company Limited; Secretary of the CPC Committee and General Manager of Guangdong Branch of China Life Insurance Company Limited; Business Director of China Life Insurance Company Limited, Secretary of the CPC Committee and General Manager of Guangdong Branch of China Life Insurance Company Limited.





**Mr. Li Guangxin**

Mr. Li holds a PhD in Economics and is an Economist.

Mr. Li currently serves as Member of the CPC Committee and Secretary to the Board of Directors of the Bank.

Mr. Li served in Bank of Communications successively as: Deputy Director in charge of Planning Division of Lianyungang Branch, President of Haizhou Central Sub-branch, Deputy Director in charge of Planning and Finance Division of Jiangsu Branch, Deputy General Manager in charge of International Business Department, Member of the CPC Committee and Vice President of Guangxi Zhuang Autonomous Region Branch, Secretary of the CPC Committee and President of Xiamen Branch, General Manager of Ho Chi Minh City Branch. He served in Huaxia Bank successively as: Secretary of the CPC Committee and President of Shanghai Branch, General Manager of Strategic Development Department of Head Office. He serves as Member of the CPC Committee, the Secretary of the Board of Directors and the General Manager of the Office of the Board of Directors of China Guangfa Bank.



**Mr. Lin Deming**

Mr. Lin holds a Master's Degree in Finance.

Mr. Lin currently serves as Member of CPC Committee and the Vice President of the Bank, and Secretary of the CPC Committee of Credit Card Center of the Bank.

Mr. Lin served in China Guangfa Bank successively as: Deputy Director and Director of Guangzhou Economic & Technological Development District Office, Deputy General Manager of Domestic Business Department of the Head Office, Secretary of the CPC Committee and President of Shaoguan Branch, General Manager of Business Department of the Head Office, General Manager of Credit Card Center, Secretary of the CPC Committee and General Manager of Credit Card Center, Assistant President of the Head Office, Secretary of the CPC Committee and General Manager of Credit Card Center.



**Mr. Fang Qi**

Mr. Fang holds a Master's Degree in Finance.

Mr. Fang currently serves as Member of the CPC Committee and the Vice President (candidate) of the Bank.

Mr. Fang served successively as Officer of Technology Division, Finance and Accounting Division of Xi'an Branch of ICBC, Deputy Director of Technology Support Division of Business Department and Deputy Director of Electronic Computing Center, Deputy General Manager of E-Banking Center and Deputy General Manager in charge of Accounting Management Center of Business Department of Shaanxi Branch of ICBC; Head of IT Department of Xi'an Branch of Huaxia Bank; Manager of Technology Department, Preparation Team Leader of E-Banking Department, General Manager of E-Banking Department, Preparation Team Leader of Xi'an Branch, Secretary of the CPC Committee and President of Xi'an Branch of China Guangfa Bank, Assistant President of the Head Office, Secretary of the CPC Committee and President of Shenzhen Branch of China Guangfa Bank.

## Directors, Supervisors, Senior Executives and Staff



Mr. **Li Xiaoshui**

Mr. Li holds a Master's Degree of Finance and is an Economist.

Mr. Li currently serves as Assistant President of the Bank, Director of CPC Committee Office and the Publicity Department of the CPC Committee of the Head Office, General Manager of General Office Department of the Head Office, and President of Zhongshan Branch.

Mr. Li successively served as a Teacher of Guangdong University of Finance, Deputy Manager of China Guangfa Bank Guangzhou Branch Tianhe Sub-branch, Deputy Manager of General Office, Guangzhou Branch Office, employee of the Personnel Department of Head Office, Deputy Manager of Head Office General Office dept., Manager of the Credit Review Department of Head Office, Member of the Party Committee and Vice President of Changsha Branch, Secretary of the CPC Committee and President of Foshan Branch.



Mr. **Zhang Wei**

Mr. Zhang holds a Master's Degree in Economics.

Mr. Zhang currently serves as Chief Strategy Officer of the Bank, Director of the Organization Department of the CPC Committee of Head Office, and General Manager of the Human Resource Department.

Mr. Zhang successively served as the Secretary of the Youth League Committee of Haicheng Economic Development District of Liaoning Province, Deputy Chief Organizer of the Organization Department of the CPC Committee of Haicheng, Liaoning Province, Deputy Principal Staff Member, Principal Staff Member and Associate Researcher of the Organization Department of the CPC committee of Liaoning Province, Deputy Researcher, Deputy Section Chief and Researcher of Cadres Bureau I of the Organization Department of the CPC Central Committee, Executive Deputy Director of the Organization Department of the CPC Committee of Ganzhou Jiangxi Province, Member of the Standing Committee of Municipal People's Congress, Member of the Party Group and Deputy Director-General of the Human Resources and Social Security Department of Jiangxi Province.



## Shareholdings of Directors, Supervisors and Senior Executives

As of the end of the reporting period, the Directors, Supervisors and Senior Executives of the Bank didn't hold any shares in the Bank.

## Annual Remuneration and Incentives of Directors, Supervisors and Senior Executives

Executive directors and employee supervisors who hold senior management positions in the Bank receive remuneration according to their positions within the Bank, and do not receive additional allowances, conference fees and subsidies.

The non-executive equity directors of the Bank do not receive remuneration from the Bank.

The remuneration of Independent Directors and Non-employee Supervisors of the Bank is verified and paid respectively in accordance with the Allowance System for Independent Directors of China Guangfa Bank Co., Ltd. and the Allowance System for Non-employee Supervisors of China Guangfa Bank Co., Ltd. The specific standards are as follows:

The allowance of the Bank's Independent Directors and Non-employee Supervisors comprises four parts, i.e. basic allowance, specialized committee allowance, meeting fee and research subsidy: (1) basic allowance means the basic remuneration paid to Non-executive Directors and Non-employee Supervisors for their participation in the Board of Directors and the Board of Supervisors. The basic allowance for director is RMB200,000/person/year and that for supervisor is RMB160,000/person/year; (2) committee allowance means the duty allowance paid to Independent Directors and Non-employee Supervisors for their participation in specialized committees. The committee allowance for ordinary member of the Board of Directors is RMB35,000/person/year and that for principal member is RMB50,000/person/year; the committee allowance for ordinary member of the Board of Supervisors is RMB28,000/person/year and that for principal member is RMB40,000/person/year. Committee allowances payable to Independent Directors and Non-employee Supervisors who

participate in various committees are paid based on the cumulative number of committees that they are working in; (3) meeting fee is a subsidy for any Independent Directors or Non-employee Supervisor to participate in or attend any general meetings, and on-site meetings of the Board of Directors, the Board of Supervisors, and their specialized committees (including teleconferences and video conferences) and the standard rate is RMB5,000/person/time; (4) research subsidy is a subsidy for Independent Directors and Non-employee Supervisors to participate in work inspections, research, training sessions and activities related to the performance of duties as organized by the Bank and relevant organizations, and the standard rate is RMB5,000/person/time.

Pursuant to the Administrative Measures for Senior Executives' Performance Appraisal of China Guangfa Bank Co., Ltd., the senior executives' performance appraisal will take into consideration the operation objective of the Bank, operation management and risk internal control of the business in their charge, individual duty performance and so on. Appraisal results serve as a key basis for the allocation of remuneration for Senior Executives. Currently, the performance appraisal results and final remuneration are under confirmation. After approval upon consideration by the Nomination & Remuneration Committee of the Board of Directors, the performance appraisal results and final remuneration shall be submitted to the Board of Directors for approval. The payment of part of performance-related remuneration to Senior Executives will be deferred according to relevant regulatory requirements.

The remuneration received by members of the Bank's Nomination and Remuneration Committee under the Board of Directors during the reporting period is set out in "Directors, Supervisors and Senior Executives". Mr. Guo Yunzhao was the principal member of the Nomination & Remuneration Committee under the Board of Directors, and other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai, Mr. Tang Xiaoqing, Mr. Chen Shimin and Mr. Zhao Xudong.

The Bank has taken out liability insurance for Directors, Supervisors and Senior Executives.

No incentive options have been granted to Directors, Supervisors and Senior Executives by the Bank.

# Directors, Supervisors, Senior Executives and Staff

## Changes in Directors, Supervisors and Senior Executives

### Directors

On 8 January 2021, CBIRC approved the qualification of Mr. Chen Shimin as the Independent Director of the Bank and on 2 April 2021, CBIRC approved the qualification of Mr. Yang Dongwei as the Director of the Bank.

On 5 January 2021, Mr. Yin Zhaojun resigned from the Director and Vice Chairman of the Bank and Mr. Wang Kai was nominated as a candidate for Director of the Bank by China Life Insurance Company Limited, a substantial shareholder of the Bank. On 2 February 2021, the proposal of nominating Mr. Wang Kai as the Director of the Bank was considered and approved at the sixth meeting of the ninth session of Board of Directors of the Bank. On 2 March 2021, Mr. Wang Kai was elected as a Director of the ninth session of Board of Directors of the Bank at the second Extraordinary Shareholders' Meeting of the Bank for 2021, and was elected as the Vice Chairman at the seventh meeting of the ninth session of the Board of Directors. On 17 May 2021, CBIRC approved Mr. Wang Kai's qualification as the Director and Vice Chairman of the Bank.

On 21 February 2022, China Life Insurance Company Limited, a shareholder of the Bank, nominated Mr. Bai Tao as the Director of the Bank. On 4 March 2022, the proposal of nominating Mr. Bai Tao as the Director of the Bank was considered and approved at the fifteenth meeting of the ninth session of the Board of Directors of the Bank. On 25 March 2022, Mr. Bai Tao was elected as a Director of the ninth session of the Board of Directors of the Bank at the first Extraordinary Shareholders' Meeting of the Bank for 2022. At the sixteenth meeting of the ninth session of the Board of Directors, Mr. Bai Tao was elected as the Chairman of the Board. The qualifications of Mr. Bai Tao as the Director and Chairman of the Board are subject to the approval of CBIRC.

### Supervisor

On 30 June 2021, Mr. Yang Fuming resigned as a Shareholder Supervisor of the eighth session of the Board of Supervisors of the Bank for work-related reason.

On 28 October 2021, the Bank elected Mr. Chen Neng as the Supervisor of the eighth session of the Board of Supervisors of the Bank at the third Extraordinary General Meeting of Shareholders for 2021.

On 13 December 2021, Mr. Chen Neng resigned from Shareholder Supervisor of the eighth session of the Board of Supervisors of the Bank for work-related reason.

On 25 March 2022, the first Extraordinary General Meeting of Shareholders for 2022 approved Mr. Yang Kejing's resignation from the External Supervisor.

### Senior Executives

On 4 March 2021, CBIRC approved the qualification of Mr. Zheng Xiaolong as Vice President of the Bank.

On 17 May 2021, CBIRC approved the qualification of Mr. Wang Kai as President of the Bank.

On 7 June 2021, CBIRC approved the qualification of Mr. Lin Deming as Vice President of the Bank.

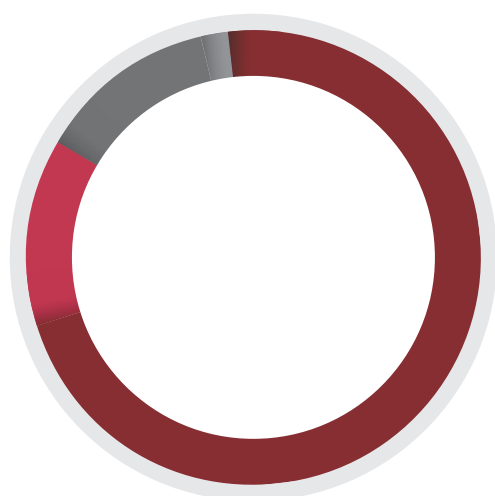
On 8 July 2021, CBIRC approved the qualification Mr. Li Xiaoshui as Assistant President of the Bank.

On 24 December 2021, the thirteenth meeting of the ninth session of the Board of Directors of the Bank considered and approved the resignation of Mr. Wang Bing as Vice President of the Bank.

## Employees

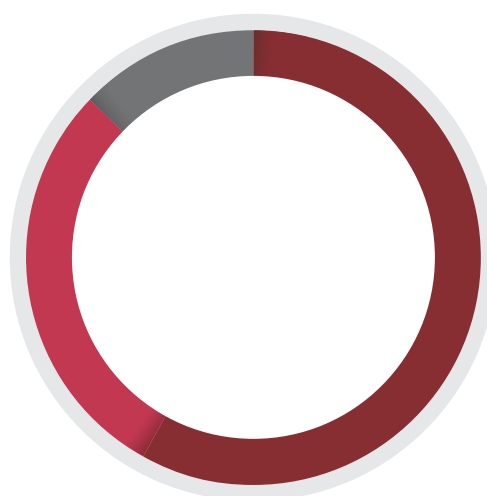
As of the end of the reporting period, the number of contract employees of the Bank (including Credit Card Center) was 37,629, representing an increase of 332 employees over the beginning of the year. Employees with doctoral or master's degree accounted for 13.28%, those with bachelor's degree 72.11%, junior college degree 12.88% and employees with other educational qualifications 1.73%. Employees aged 35 or below accounted for 58.09%, those aged between 36 and 45 accounted for 29.17% and those aged 46 or above accounted for 12.74%.

### Employee Composition by Education Background



- Bachelor 72.11%
- Doctor or Master 13.28%
- Junior college 12.88%
- Others 1.73%

### Employee Composition by Age



- Below age 35 58.09%
- Age 36-45 29.17%
- Above age 46 12.74%

# Corporate Governance

## Description and Overall Assessment of Corporate Governance

### Description of Corporate Governance

During the reporting period, the Bank strictly complied with laws and regulations, implemented the decisions of the CPC Central Committee and the requirements of financial supervision policies, thoroughly and deeply comprehended the spirit of the Three-year Action Plans for Improving Corporate Governance in the Banking and Insurance Industries (2020-2022) of the CBIRC, implemented the requirements of the Code of Corporate Governance for Banking and Insurance Institutions, continued to improve corporate governance, strengthened the construction of compliance and performance, and established a governance mechanism with scientific decision-making, strong execution, effective supervision and standardized operation to promote capability and quality of corporate governance.

### *Organic integration of CPC leadership with corporate governance*

During the reporting period, the Bank implemented the “Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises”, “Some Opinions on the Integration of Party Leadership into Corporate Governance of Central Enterprises (for Trial Implementation)” and other CPC rules, laws and regulations, as well as the spirit of regulatory guidelines, and researched and formulated the “Work Plan on the Organic Integration of Strengthening CPC Leadership and Improving Corporate Governance of China Guangfa Bank (for Trial Implementation)”. Based on these, the Bank continued to promote the organic integration of the CPC leadership and corporate governance in such areas as the boundary of responsibilities, leadership system, cadre management, pre-discussion of the party committee, decision-making on corporate governance, information communication, working together, joint supervision and democratic management, etc., firmly adhered to the CPC leadership in operation and management, and integrated the CPC leadership into the whole process and all aspects of corporate governance to give full play to the Party Committee’s leadership role of “setting the direction, managing the overall situation and ensuring implementation”, thus promoted the transformation of the Party’s political, ideological and organizational advantages into advantages in corporate governance.

### *Continued improvement in the corporate governance system*

During the reporting period, the Bank thoroughly comprehended the connotation of the new regulatory requirements, comprehensively researched and analyzed, formulated implementation plans on the Code of Corporate Governance for Banking and Insurance Institutions and the Regulations on the Evaluation of the Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation), and conducted training on the implementation of the new regulatory requirements on corporate governance and the compliance of corporate governance in the Bank. In conjunction with the new regulatory requirements, the Bank coordinated the updating and improvement of the corporate governance system, commenced the revision of the corporate governance system, including the Articles of Association, the Rules of Procedure of the Shareholder’s Meeting, the Rules of Procedure of the Board of Directors and its special committees, and the Rules of Procedure of the Board of Supervisors and the Rules of Work of its special committees, studied and drafted high-standard professional ethics standards for directors, supervisors and senior executives, worked out the revision plan of rules of work for independent directors, and formulated and implemented the evaluation method for directors and supervisors’ performance by the Board of Supervisors (for trial implementation) to continuously improve the corporate governance system.

### *The “Shareholders’ Meetings, Board of Directors, Board of Supervisors” maintained standard and efficient operations*

During the reporting period, the Bank’s general meeting, Board of Directors and Board of Supervisors performed their duties respectively in an orderly manner. In 2021, 4 shareholders’ meetings were held, at which 19 items of proposals and reports were reviewed. 9 meetings of the Board of Directors were held to review 108 proposals and reports. 30 meetings of specialized committees of the Board of Directors were held to review 97 proposals and reports, covering corporate governance, strategy formulation, capital management, profit distribution, financial budget, risk management, performance appraisal, personnel remuneration, related party transactions, information disclosure, and consumer rights protection, etc. The decision-making core role of the Board of Directors has been given a full play. 7 meetings of the Board of Supervisors were held, and 7 meetings of specialized committees of the Board of Supervisors were

held. A total of 101 proposals and reports were reviewed, which not only covered seven areas such as finance, risk, internal control, internal audit, strategy, salary, and performance of duties, but also included the proposals related to the decision-making and deployment of the CPC Central Committee in the scope of deliberation and supervision, so that the supervisory functions of the Board of Supervisors could be implemented and refined. The Bank has continuously improved the corporate governance transmission mechanism of decision-making by the board of directors, implementation by senior management and supervision by the Board of Supervisors, established and improved the follow-up and supervision mechanism of resolutions of the Board of Directors/supervisors and opinions and suggestions of the Board of Directors/Supervisors, strengthened closed-loop management, and improved operational quality and efficiency. The Bank promoted the joint handling of matters agreed by the Party Committee, the Board of Directors, the Board of Supervisors and the shareholders' meeting to improve the level of information exchange. The Bank established a correspondence supervision mechanism to improve the comprehensiveness and timeliness of the performance supervision of the Board of Directors and the Board of Supervisors during the intersessional period, thus strengthening the senior executives' performance of duties.

***Performance support services were optimized to improve the ability to perform duties responsibly***

During the reporting period, the Bank optimized and improved the service system for the discharge of duties by directors and supervisors to enhance their ability to perform their duties. Firstly, the Bank optimised the planning and agenda arrangements for the " Shareholders' General Meetings, Board of Directors, and Board of Supervisors ", strengthened co-ordination and management, established a mechanism for pre-communication with directors and substantial shareholders through the pre-review process of the Party Committee, and fully utilized the pre-review function of the specialized committees to enhance the efficiency of decision-making at board meetings. Secondly, the Board of Supervisors continued to improve the system for evaluating the performance of directors and supervisors by formulating annual performance evaluation plans in a timely manner, and implementing the various tasks of performance evaluation in an orderly manner. The Bank actively arranged for supervisors to attend shareholders' meetings, supervisory meetings and board meetings to strengthen the supervisory function of the

Board of Supervisors. Thirdly, the Bank organized the Directors and Supervisors to attend training on corporate governance capacity enhancement of financial institutions and anti-money laundering to enhance their familiarity with the regulatory requirements and policy developments of corporate governance and to enhance their ability to perform their duties in a compliant manner. Fourthly, the Board of Supervisors focused on the key difficulties in the operation and management of the Bank and regulatory concerns, surveyed branches and business lines, and put forward relevant supervisory opinions and recommendations, thus generating thematic survey reports. The Board of Supervisors intensified supervision in key areas such as financial and operational decision-making, risk management, internal control and compliance, remuneration management and internal audit, and further enhanced the effectiveness of supervision.

***Shareholder governance and investor relations management have been continuously optimized***

During the reporting period, the Board of Directors of the Bank attached great importance to shareholder management and investor services, enhanced communication with investors, and continuously improved shareholder value returns. In terms of shareholder governance, the Bank implemented regulatory provisions such as shareholder commitment management and behavior management of substantial shareholders, supervised shareholders' compliance in exercising their powers and fulfilling their obligations, standardized shareholder commitments, and enhanced the binding force of shareholder commitments. In terms of investor services, the Bank formulated measures for the management of investor relations and standardized the maintenance mechanism of investor relations from the source. The Bank published investor briefings on quarterly basis, and actively publicized the operation and management. The Bank established a verification mechanism for the list of related parties; and revised the information disclosure management measures in accordance with the new regulatory regulations and listing requirements. During the reporting period, the Bank earnestly made legal disclosures, actively responded to the demands of investors and the public in combination with the actual operation and management, and updated the financial rating, regulatory capital, top ten shareholders, dividend information, corporate governance and other information in real time to continuously improve the transparency of operation and management.



## Corporate Governance

### ***Refined capital management was effectively improved***

During the reporting period, the Bank achieved remarkable results in its private offering. The Board of Directors carefully studied and deliberated the pricing basis, placement price and method, lock-up arrangement, management of raised funds and other specific matters to vigorously promote the placement. The Bank actively communicated and coordinated with registered shareholders, external investors, and regulatory authorities, etc., and promoted the roadshow response, due diligence interview, internal and external examination and approval, listing and delisting in an orderly manner. Placement was issued smoothly, ensuring that the capital adequacy ratio remained at a reasonable level and meet regulatory requirements and the Bank's business development needs. The Bank established an endogenous profit retention and long-term capital replenishment mechanism, strengthened capital conservation management, vigorously developed the business of "light capital consumption and light assets", and continuously expanded the income from fee business. The Bank constantly improved asset-liability management ability, balance liquidity, safety and efficiency, and actively prepared for listing to enhance market investment value.

### ***Risk management and compliance case prevention have been continuously strengthened***

During the reporting period, the Board of Directors and the Risk Management Committee of the Bank fully implemented the decision and deployment of the CPC Central Committee and the State Council to combat and resolve major risks, and actively encouraged the management to respond to changes in the external risk situation and placed more prominence on strengthening risk management. We strengthened overall risk management. We strengthened its annual review of the overall risk profile of the Bank and the risks in each major area, promoted a sound overall risk management system and strengthened the management of risks in both on – and off-balance sheet items. We promoted risk control in key areas. We Investigated the Bank's implementation of new regulatory requirements on real estate loans, provided guidance on the prevention and resolution of risk in contingent liabilities of local governments, strictly controlled the growth rate, proportion and other concentration monitoring indicators of real estate loans within the regulatory limits, and strengthened risk control of customers whose loans should be extended.

We intensified the research and deliberation on the collection, disposal and management of non-performing assets and the management of NPL write-off, adjusted the authorisation of the Board of Directors to the management on the disposal of non-performing assets, and promoted the relevant authorisation to be more rigorous and prudent. We prevented cases and compliance risks. We paid attention to compliance case prevention and employee behavior management, listened to the self-assessment report of case prevention and employee behavior assessment report, and urged the management to launch the "Year of Strengthening Compliance and Case Prevention" to comprehensively improve the quality and efficiency of compliance construction and case prevention.

### ***Serving major national strategic deployment with determination and vigour***

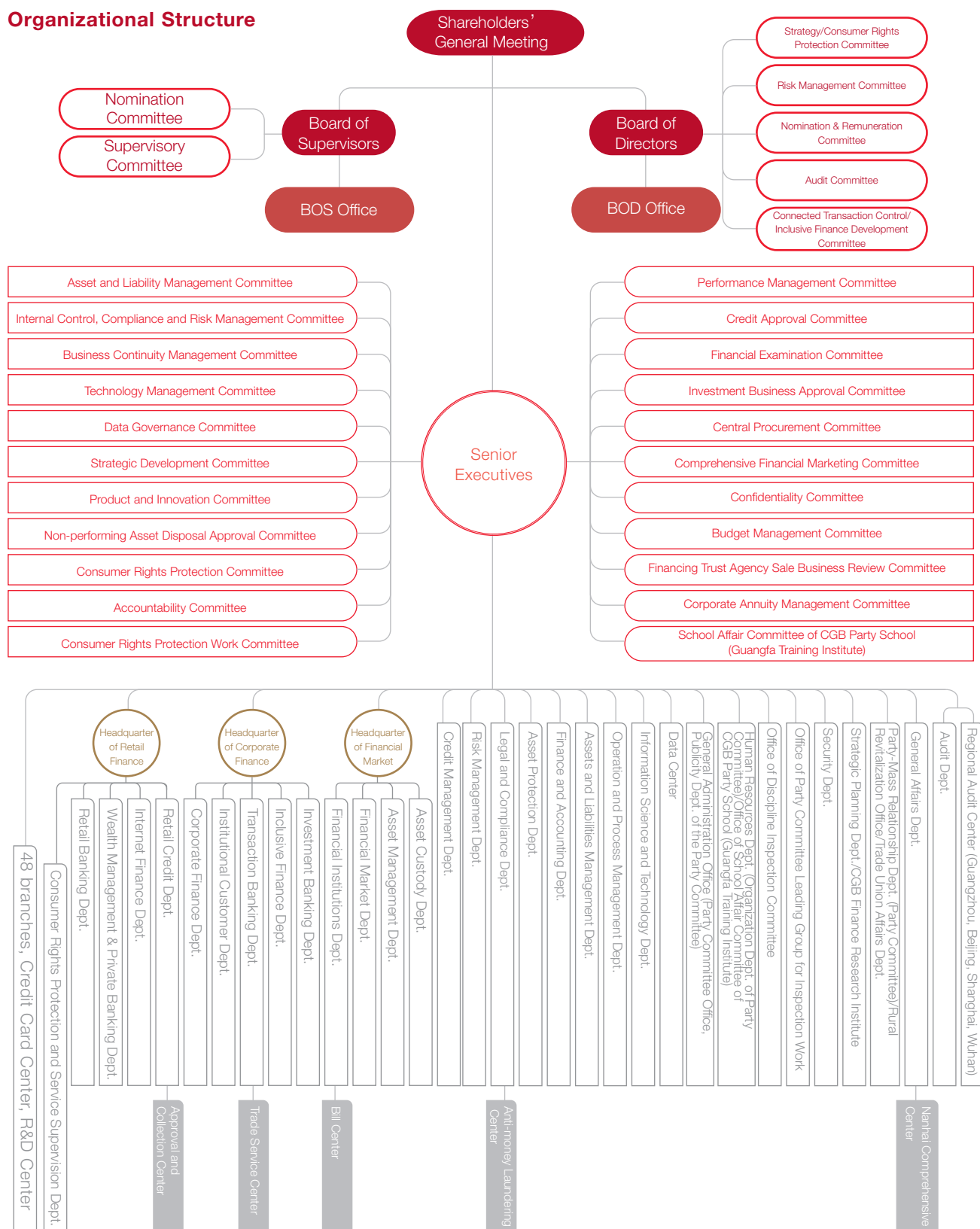
During the reporting period, the Bank thoroughly implemented the policy decisions of the CPC Central Committee, gave full play to the advantages of taking root in the Bay Area and comprehensive finance, deepened our service for the regional coordinated development, focused on the implementation of various action plans for serving key national regions, and increased financial support for major strategic regions such as Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta, Yangtze River Economic Belt, and Beijing-Tianjin-Hebei, etc.. The Bank continued to promote rural revitalization and increased support by enriching the supply of "rural revitalization loans" series of products. The Bank increased financial support for key areas and weak links of the real economy; continued to provide good services for inclusive finance, and increased financial support for expanding domestic demand, private small and micro enterprises, advanced manufacturing, scientific and technological innovation, green development and other fields. The Bank deepened the concept of social responsibility, strengthened the consciousness of the Board of Directors and its strategic/consumer rights protection committee, senior management and its subordinate consumer rights protection committee and other governance bodies to fulfill their social responsibilities, strengthened the supervision of the Board of Supervisors on the performance of duties in related fields, and continuously fulfilled social responsibilities to stakeholders and in environmental protection to continuously enhance the Bank's market image and investment value.

## Overall Assessment

During the reporting period, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank adhered to making progress while ensuring stability. The Bank, based on the new development stage, implemented new development concepts, served the new development pattern, continued to focus on upgrading the modernization of corporate governance system and capacity, strengthened the organic integration of CPC leadership and corporate governance, thoroughly implemented the decision-making arrangements of the CPC Central Committee, fully performed and exerted its strategic leadership responsibilities, continuously consolidated risk prevention and control, actively strengthened capital management, and improved the equity management mechanism. We improved the management of investor relations, improved the corporate governance system, and enhanced the operational efficiency of corporate governance. The Board of Directors, the Board of Supervisors and senior executives constantly strengthen their expertise and standardize proficiency in performing duties. The Bank has made remarkable progress in improving and enhancing corporate governance, and the standardization and effectiveness of corporate governance have been significantly improved.

# Corporate Governance

## Organizational Structure



## Information of Shareholders' General Meeting

### Responsibilities of Shareholders' General Meeting

The shareholders' general meeting of the Bank consists of all shareholders. The general meeting is the authority of the Bank and shall exercise the following powers and functions in accordance with the law.

- To decide on the Bank's business policy and investment plan;
- To elect and replace directors, and decide on the remuneration of directors;
- To elect and replace external supervisors and supervisors nominated by shareholders' representatives, and decide on the remuneration of supervisors;
- To approve the report of the board of directors;
- To approve the report of the Board of Supervisors;
- To approve the annual financial budget and final accounts of the Bank;
- To approve the profit distribution plan and loss recovery plan of the Bank;
- To approve or authorize the board of directors to approve the establishment of legal person institutions, major equity investment, major asset purchase, major asset disposal, major asset write-off, major asset mortgage, other non-commercial bank business guarantees, major external donations and other matters of the Bank;
- To approve the guarantee items stipulated in Article 56 of the Articles of Association of the Bank;
- To make resolutions on the increase or decrease of registered capital of the Bank;
- Make resolutions on the issuance of bonds by the Bank;
- To make resolutions on any change in the capital structure of the Bank, issue or agree to issue new shares, or create or agree to create any options, warrants or offer rights to subscribe for or acquire shares of the Bank or other share capital of the Bank, which can be converted or exchanged for shares of the Bank or other share capital of the Bank;
- To make resolutions on the merger, acquisition, division, dissolution, liquidation, termination and change of corporate form of the Bank;
- To amend the Articles of Association of the Bank;
- To listen to the notification of the Board of Directors on the supervision opinions of CBIRC on the Bank, and consider the report of the Board of Directors on the implementation of the rectification of the Bank;
- To review the report of the board of directors on the evaluation of directors and the mutual evaluation results of independent directors;
- To review the report of the Board of Supervisors on the evaluation of supervisors and the mutual evaluation results of external supervisors;
- To review other matters that should be decided by the shareholders' general meeting according to laws, regulations and the Articles of Association.

Matters within the terms of reference of the general meeting shall be considered and decided by the general meeting, but the general meeting may authorise the Board of Directors to decide on those matters where necessary, reasonable and lawful. The content of the authorisation shall be clear and specific.

In 2021, the Bank convened 4 general meetings and Dentons Guangzhou Office and Shanghai AllBright's Guangzhou Office witnessed the validity and legality of procedures of convening and holding these meetings, the qualifications of the attendees, the qualifications of the conveners, the voting procedures and the voting results on site, and issued legal opinions respectively.

### Information of the Annual Shareholders' General Meeting

On 30 June 2021, the Bank's 2020 Annual Shareholders' General Meeting was held in Guangzhou.

The meeting was attended by 20 shareholders and proxies representing 17,747 million shares with voting rights, accounting for 90.15% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

## Corporate Governance

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the 2020 Work Report of the Board of Directors of the Bank, Proposal on the 2020 Work Report of the Board of Supervisors of the Bank, Proposal on the 2020 Final Account Report of the Bank, Proposal on the 2020 Profit Distribution Plan of the Bank, Proposal on the 2021 Financial Budget of the Bank, Proposal on the 2020 Director Remuneration of the Bank, Proposal on the 2020 Supervisor Remuneration of the Bank, and Proposal on the Issuance of Financial Bonds of RMB60 billion, and relevant resolutions were duly passed.

At the meeting, the 2020 Work Report of the Independent Directors of China Guangfa Bank, the Report on the Board of Directors' Implementation of the Authorization of 2020 Annual Shareholders' General Meeting and the Report on 2020 Connected Transaction of China Guangfa Bank Co., Ltd. were also reviewed. The comprehensive evaluation results of the performance of directors, supervisors and senior executives were reported by the Board of Supervisors at the meeting.

### Information of the Extraordinary Shareholders' General Meetings

#### *The first Extraordinary Shareholders' General Meeting in 2021*

On 20 January 2021, the first Extraordinary Shareholders' General Meeting of the Bank in 2021 was held in Guangzhou.

The meeting was attended by 22 shareholders and proxies representing 17,619 million shares with voting rights, accounting for 89.50% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on the 2020 Annual Share Issuance Plan of China Guangfa Bank, Proposal on Increasing the Registered Capital of China Guangfa Bank Co., Ltd., Proposal on Amending the Articles of Association of China Guangfa Bank Co., Ltd., Proposal on Requesting the General Meeting of Shareholders to Authorise the Board of Directors to Decide and Handle the Specific Matters of the 2020 Annual Share Issuance, and relevant resolutions were duly passed.

#### *The Second Extraordinary Shareholders' General Meeting in 2021*

On 2 March 2021, the second Extraordinary Shareholders' General Meeting in 2021 was held in Guangzhou.

The meeting was attended by 15 shareholders and proxies, representing 16,852 million voting shares, accounting for 85.60% of the Bank's total share capital. No shareholders with restricted voting rights participated in the meeting.

The Meeting deliberated and approved the Proposal on the Election of Mr. Wang Kai as Director of the Ninth the Board of Directors of China Guangfa Bank Co. Ltd.

#### *The Third Extraordinary Shareholders' General Meeting in 2021*

On 28 October 2021, the Third Extraordinary Shareholders' General Meeting in 2021 was held in Guangzhou.

The meeting was attended by 18 shareholders and their proxies, representing 17,690 million voting shares, accounting for 89.86% of the Bank's total share capital. The voting rights of the two shareholders attending this meeting are restricted: Jiangsu Sugang Group Co., Ltd., with partial voting restrictions, holding 222,777,231 shares of the Bank, with 222,770,000 shares being restricted from voting due to equity pledge; and Dongguan Yanyu Industrial Investment Co., Ltd., with partial restricted voting, holding 13,266,587 shares of the Bank, with 10,362,011 shares being restricted from voting due to equity pledge.

The meeting deliberated each proposal and approved the following by separate polling: Proposal on China Guangfa Bank's Engagement of Accounting Firm in 2021 and Proposal on Election of Mr. Chen Neng as the Supervisor of the Eighth Board of Supervisors of China Guangfa Bank, and relevant resolutions were duly passed.



## Information of the Board of Directors

### Composition of the Board of Directors

The Bank's Board of Directors has 15 Directors in total, including five independent directors which account for one third of members of the Board of Directors. The Board members include not only heads and senior executives from renowned large financial institutions with extensive experience in the financial industry but also professionals in finance, audit and investment as well as senior experts and scholars in economic and law fields. Such diversified and internationalized members can bring broad visions, independent views and proven expertise, allowing the Board of Directors to ensure more scientific and effective decision-making.

### Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As specified in the Articles of Association of the Bank, its responsibilities include the following:

- Responsible for convening shareholders' general meetings and reporting its work to shareholders' general meetings;
- to execute resolutions of shareholders' general meetings;
- to determine the setup of internal management organizations of the Bank;
- to determine the Bank's risk management and internal control policies;
- to determine the Bank's annual business plans and investment proposals;
- to determine the bonus of Senior Executives of the Bank and the withdrawal percentage from gross profit;
- to determine resolutions such as the establishment of legal-person institutions by the Bank, significant equity investment, significant asset purchase, significant asset disposal, significant asset write-off, and significant asset mortgage, and other guarantee businesses of non-commercial bank business, significant external donation, etc., within the scope authorized by the Shareholders' General Meeting;
- to deliberate and approve the Bank's proposed material connected transactions with the connected parties;
- to formulate the Bank's annual financial budget plans and financial statements;
- to formulate the Bank's profit distribution and loss recovery plans;
- to formulate plans for increasing or decreasing the Bank's registered capital, issuing bonds or other securities and the IPO plans;
- to formulate plans for the Bank to repurchase the Bank's shares or merger, division and dissolution;
- to formulate the Bank's basic management system;
- to formulate the plans for any amendment to the Articles of Association of the Bank;
- to formulate rules of procedure for meetings of the Board of Directors;
- to nominate member candidates for next session of the Board of Directors;
- to nominate Independent Director candidates, subject to their consent;
- to appoint and dismiss the Bank's President;
- to appoint and dismiss the Secretary to the Board of Directors of the Bank according to Chairman's nomination; appoint and dismiss other Senior Executives other than the Bank's President according to the President's nomination; and decide on their remunerations, incentives and penalty matters;
- to receive the work report of the Bank's President and examining the performance of the President;
- to supervise duty performance of Senior Executives and ensuring that Senior Executives have effectively performed their management duties;
- to appoint and dismiss the accounting firm that audits the Bank;
- Responsible for the Bank's information disclosure and bearing the ultimate responsibility for the authenticity and accuracy, integrity and timeliness of the Bank's accounting and financial reports;
- to evaluate and improve the Bank's corporate governance regularly;
- to formulate overall strategy and basic system of the Bank's management on consolidated financial statements; supervise and ensure Senior Executives to effectively perform the duties for management on consolidated financial statements;
- to determine the Bank's green credit development strategy and the strategy, policies and objectives for consumer rights protection; review and approve the green credit objectives set by Senior Executives and their report on green credit; and receive regularly special reports of Senior Executives on the progress of protecting consumer rights;
- Responsible for the Bank's internal audit and bearing the ultimate responsibility for the independence and validity of internal audit;
- to establish the bank's risk culture, formulating risk management strategies;
- to cultivate the behavior management culture featuring compliance and integrity for employees, approve the code of conduct and detailed rules, supervise the senior management to conduct employees' behavior management;
- to exercise other functions and powers stipulated by laws and regulations or the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting.

## Corporate Governance

The Board of Directors should listen to the opinions of the CPC Committee of the Bank before making significant decisions of the bank.

### Special committees under the Board of Directors

#### *Strategy/Consumer Rights Protection Committee*

The Strategy/Consumer Rights Protection Committee consists of seven directors, including Mr. Bai Tao (designated), Mr. Wang Kai, Mr. Su Hengxuan, Mr. Yang Dongwei, Mr. Cai Chengwei, Mr. Liu Xiangyang and Mr. Guo Yunzhao. The primary responsibilities of the Committee are: formulating the Bank's business plan and middle-to-long-term development strategies; supervising and evaluating the implementation process of the Bank's strategies; supervising, examining and evaluating the implementation of annual business plans and investment proposals; studying and deliberating material investment and financing proposals and M&A proposals; studying and drafting the Bank's consumer rights protection strategies, policies and objectives, etc.

#### *Risk Management Committee*

The Risk Management Committee consists of six directors, of whom Mr. Tang Xiaoqing is the chairing member. The other members are Mr. Yin Yi, Mr. Liu Lixiao, Mr. Dai Jiakai (designated), Mr. Chen Yachu and Mr. Zhao Xudong. The primary responsibilities of the committee are: reviewing risk management strategies, risk management policies, significant risk management issues, money laundering management risk, case prevention management and significant asset disposal programs, controlling, managing, evaluating and supervising the risks of the Bank, etc.

#### *Nomination & Remuneration Committee*

The Nomination & Remuneration Committee consists of seven Directors, of whom Mr. Guo Yunzhao is the chairing member. The other members are Ms. Zhang Di, Mr. Yang Dongwei, Mr. Dai Jiakai (designated), Mr. Tang Xiaoqing, Mr. Chen Shimin and Mr. Zhao Xudong. The primary responsibilities of the committee are: formulating procedures and standards of selection and appointment of Directors, President, and Senior Executives, conducting preliminary review of the eligibilities of Director, President and Senior Executive candidates, formulating evaluation system, remuneration policy and incentives scheme for Directors, President and Senior Executives, supervising the implementation of such policy and scheme, etc.

#### *Audit Committee*

The Audit Committee consists of five Directors, of whom Mr. Chen Shimin is the chairing member. The other members are Mr. Liu Lixiao, Mr. Liu Xiangyang, Mr. Chen Yachu and Mr. Guo Yunzhao. The primary responsibilities of the committee are: supervising, inspecting and evaluating internal audit work of the Bank and the external audit institutions, auditing the Bank's financial information, and disclosing significant financial policies and their implementation, supervising annual auditing of the Bank, etc.

#### *Connected Transaction Control/Inclusive Finance Development Committee*

The Connected Transaction Control/Inclusive Finance Development Committee consists of five directors, of whom Mr. Chen Yachu is the chairing member. The other members are Ms. Zhang Di, Mr. Cai Chengwei, Mr. Tang Xiaoqing and Mr. Zhao Xudong. The primary responsibilities of the Connected Transaction Control/Inclusive Finance Development Committee are: reviewing and urging the formulation and implementation of connected transaction management policies, supervising the establishment and improvement of the connected transaction management system, examining and appraising the connected transactions, controlling risks associated with connected transactions; researching and deliberating the development strategy planning and basic management system of inclusive finance business, deliberating annual business plans and appraisal measures of inclusive finance, etc.

### Meetings Convened by the Board of Directors and its Special Committees

#### *Meetings Convened by the Board of Directors*

In 2021, the Bank convened a total of 9 Board meetings. The table below shows Directors' attendance rate at Board meetings during the reporting period:

***Incumbent Directors' attendance rate at Board meetings during the reporting period***

Members of the Board of Directors	Number of meetings attended in person/ Number of meetings required to attend	Number of meetings attended by proxies	Rate of attendance in person
Wang Kai	4/5	1	80%
Su Hengxuan	8/9	1	88.9%
Yin Yi	9/9	0	100%
Zhang Di	9/9	0	100%
Yang Dongwei	6/6	0	100%
Liu Lixiao	9/9	0	100%
Cai Chengwei	7/9	2	77.8%
Dai Jiakai	–	–	–
Liu Xiangyang	9/9	0	100%
Tang Xiaoqing	9/9	0	100%
Chen Yachu	9/9	0	100%
Guo Yunzhao	9/9	0	100%
Chen Shimin	8/8	0	100%
Zhao Xudong	9/9	0	100%

***Retired Directors' attendance rate at Board meetings during the reporting period***

Members of the Board of Directors	Number of meetings attended in person/ Number of meetings required to attend	Number of meetings attended by proxies	Rate of attendance in person
Yin Zhaojun	–	–	–
Wang Bin	7/9	2	77.8%

On 5 January 2021, the Bank held the fifth meeting of the ninth session of Board of Directors on-site and online. The following proposals were reviewed and approved: Proposal on Mr. Yin Zhaojun's Resignation as Vice Chairman and President of China Guangfa Bank Co., Ltd., Proposal on Mr. Zong Lexin's Resignation as Vice President of China Guangfa Bank Co., Ltd., Proposal on Performance Appraisal Results and Salary Distribution of Leaders and Senior Executives of China Guangfa Bank Co., Ltd. for 2019, relevant resolutions were duly passed.

## Corporate Governance

On 2 February 2021, the Bank held the sixth meeting of the ninth Board of Directors on-site and online. The following proposals were reviewed and approved: Proposal on Appointing Mr. Wang Kai as the President of China Guangfa Bank Co., Ltd., Proposal on Nominating Mr. Wang Kai as a Candidate for Director of the Ninth Session of Board of Directors of China Guangfa Bank Co., Ltd., Proposal on Convening the Second Extraordinary Shareholders' General Meeting of China Guangfa Bank Co., Ltd. in 2021, and relevant resolutions were duly passed.

On 2 March 2021, the Bank held the seventh meeting of the ninth session of the Board of Directors on-site and online. The following proposals were reviewed and approved: Proposal on Electing Mr. Wang Kai as the Vice Chairman of the Ninth Board of Directors of China Guangfa Bank, and Proposal on Adding Members of Strategy/Consumer Protection Committee of the Ninth Board of Directors of China Guangfa Bank, Proposal on Report of China Guangfa Bank's Operation and Budget Implementation for 2020, Proposal on 2020 Audit Report of China Guangfa Bank as per Chinese Standards, Report on Self-evaluation of Case Prevention of China Guangfa Bank in 2020, Proposal on Risk Report of China Guangfa Bank for 2020, Proposal on Country Risk Management of China Guangfa Bank for 2020, Proposal on Approval of Country Risk Grades and Country Risk Limits of China Guangfa Bank for 2021, Proposal on Report of Reputation Risk Management of China Guangfa Bank for 2020, Proposal on Audit Report of China Guangfa Bank for 2020, Proposal on Audit Plan of China Guangfa Bank for 2021, Proposal on Evaluation of Senior Executives' Performance by Board of Directors of China Guangfa Bank for 2019, Proposal on Opinions of Shareholders' General Meeting of China Guangfa Bank for 2020 Proposal on Report on Authorisation Implementation by the Board of Directors, Proposal on Report on Progress of Rectification of Outstanding Wealth Management Business of China Guangfa Bank, Proposal on Report on Consumer Rights Protection for 2020 and Working Plan for 2021 of China Guangfa Bank, and Report on Authorisation Implementation by the Board of Directors of China Guangfa Bank to Senior Executives for 2020 and Report on Supervision and Evaluation of Corporate Governance of China Guangfa Bank for 2019 were reviewed, and relevant resolutions were duly passed.

On 20 April 2021, the Bank held the eighth meeting of the ninth session of the Board of Directors on-site and online. The following proposals were considered and approved: Proposal on the 2020 Working Report and 2021 Working Plan of the Board of Directors of China Guangfa Bank, Proposal on the Remuneration of Directors of China Guangfa Bank for 2020, Proposal on the Debriefing Report of Independent Directors of China Guangfa Bank for 2020, Proposal on the Performance Evaluation Report of Directors of China Guangfa Bank for 2020, and Proposal on the Performance Evaluation Report of Senior Executives by the Board of Directors of China Guangfa Bank for 2020, Proposal on the Report on the Qualification of Substantial Shareholders of China Guangfa Bank, Proposal on the Financial Final Report of China Guangfa Bank for 2020, Proposal on the Profit Distribution Plan of China Guangfa Bank for 2020, Proposal on the Implementation Measures of the Profit Distribution of China Guangfa Bank for 2020, Proposal on the Audit Report as per International Standards of China Guangfa Bank for 2020, Proposal on the Annual Report of China Guangfa Bank for 2020, Proposal on Internal Capital Adequacy Assessment Report of China Guangfa Bank for 2020, Proposal on Issues Related to Additional Shares of China Guangfa Bank, Proposal on Adjusting the Appraisal and Salary of Comrade Wang Guizhi, Proposal on Requesting the Board of Directors to Authorise the Senior Executives to Undertake Preparation, Opening and Other Specific Matters of Branches, Proposal on Formulating Management Measures for Financial Services of China Guangfa Bank to Deal with Emergencies and Related Special Emergency Plans, Proposal on Adjusting the Authorisation of the Board of Directors of China Guangfa Bank to the Management of Non-Performing Asset Disposal Business, Proposal on the Comprehensive Risk Management Report of China Guangfa Bank for 2020, Proposal on the Internal Control Evaluation Report of China Guangfa Bank for 2020, and Report on Compliance Risk Management of Guangfa Bank for 2020, Proposal on Report of Related Party Transactions of China Guangfa Bank for 2020, Proposal on Formulating Measures for Risk Management of Internet Loans of China Guangfa Bank, Proposal on Evaluation Report of Internet Loans of China Guangfa Bank for 2020, and Proposal on Convening the 2020 Annual Shareholders' General Meeting of China Guangfa Bank, and reviewed the Report on the Market Risk Management of China Guangfa Bank for 2020, Report on The Operation of Credit Risk Internal Rating System of China Guangfa Bank for 2020, Report on the Operational Risk Management of Guangfa Bank for 2020, Report on the Comprehensive Risk Stress Test of China Guangfa Bank in 2021, the Report on the Verification of the Bank-wide Risk Internal Assessment Model for 2020, and Report on Banking Book Interest Rate Risk Management of China Guangfa Bank for 2020, Report on Liquidity Risk Management of China Guangfa Bank for 2020, Report on

Evaluation of Business Continuity Management of China Guangfa Bank for 2020, Report on IT Risk Management of China Guangfa Bank for 2020, Report on Behavior Evaluation of Banking Staff of China Guangfa Bank for 2020, Report on Related Party List of China Guangfa Bank for 2020, Report on Filing General Related Party Transactions of China Guangfa Bank for 2020, Report on Collection, Disposal and Management of Non-performing Assets of China Guangfa Bank for 2020, Report on Write-off Management of Non-performing Loans of China Guangfa Bank for 2020, Report on Summary of 2020 IT Planning and 2021 IT Planning of China Guangfa Bank, and the relevant resolutions were duly passed.

On 3 June 2021, the Bank held the ninth meeting of the ninth session of the Board of Directors on-site and online. The following proposals were reviewed and approved: Proposal on Amending the Risk Appetite Management Measures of China Guangfa Bank, Proposal on Issuing Financial Bonds of RMB60 billion by China Guangfa Bank, Proposal on Outsourcing Strategy for the 14th Five-Year Plan of China Guangfa Bank, Proposal on China Guangfa Bank's 2021 Business Plan and Financial Budget, Proposal on Impairment Provision of China Guangfa Bank for the First Half of 2021, and Proposal on Problems Found with China Guangfa Bank's 2020 Audit Items, and Report on Management of Outsourcing of China Guangfa Bank for 2020, and relevant resolutions were duly passed.

On 24 August 2021, the Bank held the tenth meeting of the ninth session of Board of Directors on-site and online the following proposals are reviewed and approved: Proposal on Amending the Business Scope Under the Articles of Association of China Guangfa Bank Co., Ltd., Proposal on the Capital Planning of China Guangfa Bank for 2021-2023, Proposal on the Engagement of Accounting Firms for 2021 by China Guangfa Bank, and reviewed the Report on the Operation and Budget Implementation of Guangfa Bank for the First Half of 2021, Report on the Implementation of the Self-evaluation of Green Credit of Guangfa Bank for 2020, Report on the Protection of Consumer Rights for the First Half of 2021 and the Working Plan for the Second Half of 2021 of China Guangfa Bank, the Report on Including Guang'an City of Sichuan Province into the 2021 Branch-level Institutional Planning, and Report on Risks of China Guangfa Bank for the First Half of 2021, Report on Market Risk Management of China Guangfa Bank for the First Half of 2021, Report on Non-performing Assets Management of China Guangfa Bank for the First Half of 2021 and Report on the Rectification under Regulatory Notice of China Guangfa Bank for 2020, and relevant resolutions were duly passed.

On 13 October 2021, the Bank held the eleventh meeting of the ninth Board of Directors by written endorsement. The following proposals have been reviewed and approved: Proposal on Formulating the Measures for Strategic Risk Management of China Guangfa Bank Proposal on Amending the Measures for Anti-Money Laundering and Anti-Terrorist Financing of Guangfa Bank, Proposal on Adjusting the 2021 Annual Internal Audit Project Plan of Guangfa Bank, Proposal on Establishing Nanhai Comprehensive Center of the Second-level Department of Guangfa Bank, Proposal on Convening the Third Extraordinary General Meeting of Shareholders of Guangfa Bank in 2021, Proposal on Guangfa Bank Submitting to the People's Bank of China the Report on Rectification of Problems Found in Comprehensive Law Enforcement Inspection. Notification on Evaluation of the Supervision on Consumer Rights Protection of Guangfa Bank in 2020 and the Report on Agricultural Development Bank's Non-affiliated Party of Guangfa Bank were reviewed, and relevant resolutions were formed.

On 23 November 2021, the Bank held the twelfth meeting of the ninth session of Board of Directors physically and through video connection. The following proposals were reviewed and approved: Proposal on the Optimisation Methodology of Expected Credit Loss Model and its Forward-Looking Update at the End of 2021 of China Guangfa Bank, Proposal on Formulating the Management Measures of Sales of Wealth Management Products Business for Wealth Management Companies by China Guangfa Bank, Proposal on the Outsourcing Project of Retail Credit Non-litigation Collection of China Guangfa Bank for 2021, Proposal on the Performance Appraisal Results and Salary Distribution of Leaders and Senior Executives of Guangfa Bank for 2020. At the meeting, the Bank reviewed the Report on the Operation and Budget Implementation of Guangfa Bank for the Third Quarter of 2021, Report on Rectification under Regulatory Notification on Consumer Rights Protection of Guangfa Bank for 2020 and Report on the Special Audit of Off-balance-sheet Business of Guangfa Bank, and relevant resolutions were duly passed.



## Corporate Governance

On 24 December 2021, the Bank held the 13th meeting of the ninth Board of Directors physically and through video connection. The following proposals were reviewed and approved: Proposal on the 14th Five-Year Development Plan of Guangfa Bank, Proposal on the Development Plan of Branch-level Institutions of Guangfa Bank for 2022, Proposal on the Risk Appetite Policy of Guangfa Bank for 2022, Proposal on the Recovery Plan and Disposal Plan (2021 Edition) of Guangfa Bank, Proposal on Major Anti-Money Laundering Matters and Money Laundering Risk Management of Guangfa Bank for 2021, Proposal on Amending Money Laundering Risk Management Strategy of China Guangfa Bank, Proposal on China Life Insurance Co., Ltd.'s Participation in the Related Party Transactions of China Guangfa Bank's Capital Increase, Proposal on the Performance Appraisal Indexes of Leaders and Senior Executives of China Guangfa Bank for 2021, Proposal on Mr. Wang Bing's Resignation as the Vice President of China Guangfa Bank Co., Ltd. At the meeting, the Bank reviewed the Report on Data Management and Control of China Guangfa Bank for 2021, the Report on On-site Inspection and Rectification of Shadow Banking and Cross-financial Business of China Guangfa Bank, Report on Rectification of Data Quality Audit Investigation of China Guangfa Bank's Regulatory Standardisation Data (EAST) and Report on Notification of Consumer Complaints for the Third Quarter of 2021 of CBIRC Consumer Protection Bureau, and relevant resolutions were duly passed.

### **Meetings of special committees of the Board of Directors**

During the reporting period, the special committees of the Board of Directors held 30 meetings, and reviewed 97 proposals and reports. The committees reviewed and approved the Bank's 2020 financial final accounts report, 2020 profit distribution plan, 2020 comprehensive risk management report, 2020 performance evaluation report of senior executives by the Board of Directors, 2020 internal control evaluation report, 2020 related party transactions report, 2021 audit plan, 2021 accounting firm engagement, 2020 consumer rights protection work report and 2021 working plan, 2021 business plan and financial budget, 2021 major anti-money laundering issues and money laundering risk management, 2021-2023 capital plan, the "14th Five-Year Plan" development plan, issues related to additional shares issuance, etc.; and reviewed the summary of the Bank's 2020 science and technology plan and 2021 science and technology plan, 2020 implementation of green credit self-evaluation, 2020 business continuity management evaluation, 2020 operational risk management, 2020 filing of general related party transactions, 2021 comprehensive risk stress test, 2021 data management and control, and special audit of off-balance sheet business. Among those meetings, 6

meetings of the Nomination and Remuneration Committee were held in 2021.

### **Implementation of the resolutions of the shareholders' meeting by the Board of Directors**

During the reporting period, the Board of Directors strictly complied with the relevant laws and regulations and financial regulatory requirements, implemented the decisions of the CPC Central Committee, conscientiously carried out the resolutions of the shareholders' general meeting, guided the senior executives to adhere to their duties to serve the real economy, and promoted the construction of internal control and compliance, thereby promoting the steady and sustainable development of the Bank's businesses.

### **Independence and Performance of Duties of Independent Directors**

At the end of the reporting period, there are five Independent Directors in the Board of Directors of the Bank, which meets regulatory requirements on the qualification, number and proportion of Independent Directors. None of the Independent Directors has any business or financial interests in the Bank or assumed any managerial post in the Bank, which meets relevant regulatory requirements on independence. Independent Directors represent the majority and act as chairing members in the Nomination & Remuneration Committee, Audit Committee, and Connected Transaction Control Committee/Inclusive Finance Development Committee, and act as chairing members in the Risk Management Committee.

During the reporting period, Independent Directors of the Bank, as required by laws and regulations and the Articles of Association of the Bank, acted with due diligence and attended Board meetings and its special committees in person to exercise their supervision rights and express their opinions on an adequate, objective and independent basis, in order to assist the Board of Directors and special committees to improve efficiency and scientific decision-making ability. Moreover, Independent Directors fully leveraged their expertise and professionalism to actively participate in the deliberation and decision-making of proposals at the board of directors, issue independent opinions on major matters such as profit distribution, director nomination, appointment/resignation of executives, remuneration of directors and executives, and issue prior approvals for the appointment of accounting firms and major connected transactions and independent opinion, to protect overall interest of the Bank and legitimate rights and interests of minority shareholders, and gave full play to their

role as Independent Directors. During the intersessional period, independent directors actively participated in the anti-money laundering, consumer rights protection, corporate governance and other training organized by the Board of Directors, and continued to improve their ability to perform their duties. Independent directors conduct on-the-spot investigations on departments at the Head Office and some branches, conduct written investigations on key areas, conduct in-depth investigations on business operations, internal control compliance, risk management, and high-quality development, and provide professional opinions and suggestions. The Board of Directors and senior management attach great importance to the opinions and suggestions of independent directors.

## Board of Supervisors

### Composition of the Board of Supervisors

The Board of Supervisors of the Bank consists of six Supervisors, including one Shareholder Supervisor, two External Supervisors and three Employee Supervisors; the number of members and composition of the Board of Supervisors comply with the regulatory requirements and provisions of the Articles of Association of the Bank. The Shareholder Supervisor has plentiful corporate management experience; the External Supervisors are professionals in accounting and legal affairs, with abundant expertise and experience; and the Employee Supervisors have been engaged in bank operations and management for a long time and have extensive professional experience in finance.

### Responsibilities of the Board of Supervisors

The Board of Supervisors is the supervisory organization of the Bank and responsible to the Shareholders' General Meeting. The responsibilities and authorities of the Board of Supervisors are as follows:

- Supervising the duty performance of the Board of Directors, Senior Management, and proposing dismissal of Directors and Senior Executives in violation of laws, administrative regulations, the Articles of Association of the Bank or resolutions of the shareholders' general meeting;
- Conducting comprehensive appraisal of the performance of the Directors, Supervisors and Senior Executives, and reporting to the shareholders' general meeting and regulatory authorities;
- Requiring Directors and Senior Executives to rectify any of their behaviors in damage of the Bank's interests;

- Inquiring Directors and Senior Executives when necessary;
- Supervising the procedures of electing and engaging directors;
- Examining and supervising financial activities of the Bank;
- Reviewing the Bank's profit distribution proposal, and issuing opinions on the compliance and rationality;
- Reviewing the Bank's regular reports, and issuing written opinions on the authenticity, accuracy and integrity of reports;
- Supervising business decisions, risk management and internal control of the Bank and guiding the internal audit department about their work.
- Attending meetings held by the Board of Directors;
- Proposing to convene an extraordinary general meeting, and convening and presiding over the general meeting when the Board of Directors fails to fulfill in accordance with the Articles of Association of the Bank;
- Making proposals to shareholders' general meeting;
- Filing lawsuits to the Directors and Senior Executives in accordance with laws and provisions of the Articles of Association of the Bank;
- Supervising the Board of Directors to determine a sound business philosophy, value criteria and development strategy according to the actual situation of the Bank;
- Regularly assessing the scientificity, rationality and effectiveness of the development strategies developed by the Board of Directors and formulating assessment reports.
- Supervising the scientificity and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Shareholders' General Meeting.

### Special Committees under the Board of Supervisors

The Nomination Committee and Supervisory Committee are set up under the Board of Supervisors of the Bank, both of which are chaired by External Supervisors.

#### *Nomination Committee*

The Nomination Committee is composed of three Supervisors, of whom Mr. Li Weiye is the chairing member and the other members are Mr. Chen Jiyou and Mr. Fan Junxiong.

## Corporate Governance

The primary responsibilities of Nomination Committee are:

- Making proposals to the Board of Supervisors in terms of the size and composition of the Board of Supervisors, according to the Bank's operation and management situations, asset size and equity structure;
- Formulating the selection procedures and standards for supervisors, conducting preliminary review on the eligibilities and qualifications of Supervisor candidates, and making proposals to the Board of Supervisors;
- Nominating and recommending candidates of special committees to the Board of Supervisors;
- Formulating the supervision proposal for the performance of Directors, Senior Management and members, and organizing the implementation after the proposal is approved by the Board of Supervisors;
- Conducting comprehensive appraisal of the performance of Directors, Supervisors and Senior Management and reporting to the Board of Supervisors;
- Supervising the electing and engaging procedures of Directors;
- Supervising the scientificness and rationality of the bank-wide remuneration management system and remuneration schemes for senior management;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

### Supervisory Committee

The Supervisory Committee is composed of three Supervisors, of whom Mr. Li Wenjing is the chairing member and the other members are Mr. Chen Jiyong and Mr. Wu Dahao.

The primary responsibilities of the Supervisory Committee are:

- Formulating proposals (as needed) of supervision and inspection on the operational decision making, risk management and internal control, etc. and organizing the implementation after the proposals are approved by the Board of Supervisors;
- Formulating plans (as needed) to supervise the financial activities of the Bank and implement related inspections;
- Formulating the supervision proposals (as needed) on whether the Board of Directors has established a sound business philosophy, value criteria and development strategy according to the actual situation of the Bank, and organizing the implementation after the proposals are approved by the Board of Supervisors;

- Putting forward opinions on the profit distribution proposal to be submitted by the Board of Directors to the general meeting, and reporting to the Board of Supervisors;
- Reviewing the Bank's regular reports made by the Board of Directors, raising written opinions, and reporting to the Board of Supervisors;
- Regularly assessing the scientific nature, rationality and effectiveness of the development strategies developed by the Board of Directors;
- Exercising other responsibilities stipulated by laws, regulations and the Articles of Association of the Bank, or authorized by the Board of Supervisors.

### Meetings of the Board of Supervisors and special committees during the reporting period

During the reporting period, the Board of Supervisors of the Bank held a total of seven meetings, which are as follows:

On 2 March 2021, the Bank held the fifth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on the 2020 Working Report of the Board of Supervisors of China Guangfa Bank, the Proposal on 2021 Working Plan of the Board of Supervisors of China Guangfa Bank, the 2019 Performance Evaluation Report of Senior Executives by the Board of Supervisors of China Guangfa Bank, the 2020 Operation and Budget Implementation Report of China Guangfa Bank, the 2020 Audit Report of China Guangfa Bank as per Chinese Standards, and Report on Self-evaluation of Case Prevention of China Guangfa Bank in 2020, Proposal on Risk Report of China Guangfa Bank for 2020, Proposal on Reputation Risk Management Report of China Guangfa Bank for 2020, Proposal on Audit Report of China Guangfa Bank for 2020, Proposal on Audit Plan of China Guangfa Bank for 2021, Proposal on Consumer Rights Protection Report for 2020 and Working Plan of China Guangfa Bank for 2021, and reviewed corporate governance assessment for 2019, and relevant resolutions were duly passed.

On 20 April 2021, the Bank held the sixth meeting of the eighth session of Board of Supervisors on site. The Bank reviewed and approved the following proposals: Proposal on the Performance Evaluation Report of Directors for 2020 by the Board of Supervisors of China Guangfa Bank, Performance Evaluation Report of Supervisors for 2020 by the Board of Supervisors of China Guangfa Bank, Performance Evaluation Report of Senior Executives for 2020 by the Board of Supervisors of China Guangfa Bank, Proposal of Remuneration of Supervisors of China

Guangfa Bank for 2020, Proposal of Financial Final Report of China Guangfa Bank for 2020, Proposal on Annual Profit Distribution Plan of China Guangfa Bank for 2020, Proposal on Audit Report on International Standards of China Guangfa Bank for 2020, Proposal on Annual Report of China Guangfa Bank for 2020, Proposal on Internal Capital Adequacy Assessment Report of Guangfa Bank for 2020, Proposal on relevant affairs of issuance of Additional Shares of Guangfa Bank, Proposal on Comprehensive Risk Management Report of Guangfa Bank for 2020, Proposal on Internal Control Assessment Report of China Guangfa Bank for 2020, Proposal on the Report of Compliance Risk Management of China Guangfa Bank for 2020, Proposal on the Report on Related Transactions of China Guangfa Bank for 2020, Proposal on Formulating the Measures for Internet Loan Risk Management of China Guangfa Bank, Proposal on the Evaluation Report of Internet Loan Business (Including Business Planning) of China Guangfa Bank for 2020, and reviewed the reports on market risk management, operation of internal rating system for credit risk, operational risk management, comprehensive risk stress test, verification of bank-wide internal risk assessment model, interest rate risk management of bank books, liquidity risk management, information technology risk management, behavior evaluation of employees, list of related parties, filing of general related party transactions, collection and management of non-performing assets, and write-off management of non-performing loans for 2020, and relevant resolutions were duly passed.

On 3 June 2021, the Bank held the seventh meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank reviewed and approved the Proposal on the 2021 Annual Business Plan and Financial Budget of China Guangfa Bank, the Proposal on the 14th Five-Year Plan Outsourcing Strategy of China Guangfa Bank, the Proposal on Issuing Financial Bonds of RMB60 billion by China Guangfa Bank, the Proposal on Amending the Risk Appetite Management Measures of China Guangfa Bank and the Proposal on the Impairment of China Guangfa Bank for the First Half of 2021. The Bank reviewed the reports on management of outsourcing, audited issues, etc., and relevant resolutions were passed.

On 24 August 2021, the Bank held the eighth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank reviewed and approved the Proposal on Nominating Mr. Chen Neng as the Candidate for Supervisor of the Eighth Session of Board of Supervisors of China Guangfa Bank, the Proposal on the Capital Planning of China Guangfa Bank for 2021-2023, and the Proposal on the Engagement of Accounting Firm for 2021 by China Guangfa Bank, and reviewed

the operating conditions and budget implementation, risks, market risk management, non-performing assets management for the first half of 2021, the implementation of self-evaluation of green credit for 2020, the protection of consumer rights and interests for the first half of 2021 and the work plan for the second half of 2021, the rectification under regulatory notification for 2020, the inclusion of Guang'an City of Sichuan Province into the development plan of branch-level institutions for 2021 and other reports, and relevant resolutions were duly passed.

On 14 October 2021, at the ninth meeting of the eighth session of Board of Supervisors of the Bank, the Proposal on Formulating the Measures for Strategic Risk Management of China Guangfa Bank, the Proposal on Amending the Measures for Anti-Money Laundering and Anti-Terrorist Financing of China Guangfa Bank, the Proposal on Adjusting the 2021 Internal Audit Project Plan of China Guangfa Bank, the Proposal on Establishing Nanhai Comprehensive Center of the Secondary Division of China Guangfa Bank, and Proposal on the Report Submitted by China Guangfa Bank to the People's Bank on the Completion of Rectification of Problems Found During Comprehensive Law Enforcement Inspection were considered and approved by way of written endorsement, and the 2020 notification on supervision and evaluation of consumer rights protection, the report that Agricultural Development Bank not being a related party of China Guangfa Bank, etc. were reviewed, and relevant resolutions were duly passed.

On 23 November 2021, the Bank held the tenth meeting of the eighth session of Board of Supervisors physically and through video connection. The Bank considered and approved the Proposal on Formulating the Measures for Evaluating the Performance of Directors and Supervisors by the Board of Supervisors of China Guangfa Bank Co., Ltd. (for Trial Implementation), the Proposal on Performance Appraisal Results and Salary Distribution of leaders and Senior Executives of China Guangfa Bank for 2020, Proposal on the Optimisation Methodology of China Guangfa Bank's Expected Credit Loss Model and its Forward-Looking Update at the End of 2021, Proposal on the Outsourcing Project of Retail Credit Non-litigation Collection of China Guangfa Bank for 2021, Proposal on Formulating the Management Measures for China Guangfa Bank Selling Financial Products Business on a Commission Basis, and reviewed the operation and budget implementation for the third quarter of 2021, rectification under regulatory notification of consumer rights protection of China Guangfa Bank for 2020 and report on the special audit of off-balance-sheet business of China Guangfa Bank, and relevant resolutions were duly passed.

## Corporate Governance

On 24 December 2021, the Bank held the eleventh meeting of the eighth Board of Supervisors physically and through video connection. The Bank considered and approved the “Opinions on Directors, Proposal on the Performance Evaluation Work Plan of Supervisors and Senior Executives for 2021, Proposal on the 14th Five-Year Development Plan of China Guangfa Bank, Proposal on the Development Plan of Branch-level Institutions of Guangfa Bank for 2022, Proposal on the Risk Appetite Policy of China Guangfa Bank for 2022, Proposal on the Recovery Plan and Disposal Plan of China Guangfa Bank (2021 Edition), Proposal on the Major Anti-Money Laundering Matters and Money Laundering Risk Management of China Guangfa Bank for 2021, Proposal on Amending the Money Laundering Risk Management Strategy of China Guangfa Bank, Proposal on China Life Insurance Co., Ltd.’s Participation in the Related Party Transactions of China Guangfa Bank’s Capital Increase, Proposal on the Performance Appraisal Indexes of Leaders and Senior Executives of China Guangfa Bank for 2021, and reviewed the data management and control work for 2021, the on-site inspection and rectification of shadow banking and cross-financial business, the rectification of the data quality audit investigation problems of Regulatory Standardisation Data (EAST), working plan for external audit for 2021, external audit for the last 5 years and other reports, and relevant resolutions were duly passed.

During the reporting period, the Nomination Committee of the Board of Supervisors of the Bank held five meetings, at which Proposal on 2019 Performance Evaluation Report of Senior Executives by the Board of Supervisors of China Guangfa Bank, Proposal on 2020 Performance Evaluation Report of Directors by the Board of Supervisors of China Guangfa Bank, Proposal on 2020 Performance Evaluation Report of Senior Executives by the Board of Supervisors of China Guangfa Bank and Proposal on Nominating Mr. Chen Neng as a Candidate for Supervisor of the Eighth Session of Board of Supervisors of China Guangfa Bank, Proposal on Performance Appraisal Results and Salary Distribution of Leaders and Senior Executives of China Guangfa Bank for 2020, Proposal on Formulating Performance Appraisal Measures of Directors and Supervisors by the Board of Supervisors of China Guangfa Bank Co., Ltd. (Trial), Proposal on Performance Appraisal Indexes of Leaders and Senior Executives of China Guangfa Bank for 2021, Proposal on Work Plan of Performance Appraisal of Directors, Supervisors and Senior Executives by the Board of Supervisors of China Guangfa Bank for 2021 were considered and approved, and relevant resolutions were duly passed.

During the reporting period, the Supervisory Committee of the Board of Supervisors of the Bank held two meetings, at which the Proposal on Audit Report of China Guangfa Bank for 2020 as per Chinese Standards, the Proposal on the 2020 Preliminary Profit Distribution Plan of China Guangfa Bank, the Proposal on Audit Report of China Guangfa Bank for 2020 as per International Standards and the Proposal on 2020 Annual Report of China Guangfa Bank were considered and approved, and relevant resolutions were duly passed.

### Performance of duties by external supervisors

The Board of Supervisors of the Bank currently has two external supervisors. The chairmen of the nomination committee and the supervision committee of the Board of Supervisors are all external supervisors. During the reporting period, the Bank’s external supervisors worked diligently, gave full play to their expertise, and performed various supervisory duties in strict accordance with relevant laws and regulations and the Articles of Association of the Bank. They actively participated in meetings of the Board of Supervisors and special committees, carefully considered various proposals and expressed independent opinions and suggestions; effectively performed the duties of the chairmen of the special committees, promptly convened the meetings of the special committees; actively participated in the performance evaluation, inspection and investigation organised by the Board of Supervisors; and strengthened study and training to further improve the ability to perform duties.

### Work of the Supervisory Board

#### ***Promote the organic integration of the CPC leadership and the supervision of the Board of Supervisors to improve the multi-dimensional supervision system***

The Board of Supervisors upheld and strengthened the overall leadership of the Party, and continuously deepened the organic integration of the CPC leadership and corporate governance supervision. Firstly, all important proposals submitted to the Board of Supervisors for deliberation have been studied and discussed by the Party Committee in advance, and the opinions of the Party Committee have been carefully absorbed, so that the orientation of the Party Committee and the independent supervision of the Board of Supervisors can be effectively implemented. Secondly, the Board of Supervisors strengthened communication



and cooperation with the discipline inspection commission and other inner-party supervisory bodies, and regularly exchanged supervisory information and experience and shared supervisory results through the joint supervisory joint meeting mechanism. Thirdly, the Board of Supervisors coordinated the formulation of the organic integration plan of the core leadership of CPC and corporate governance to promote the improvement in the corporate governance structure of "core leadership of the party committee, strategic decision-making of the Board of Directors, supervision by the Board of Supervisors according to law, and implementation by senior executives" clarifying the objectives, principles and work measures of the integration of the supervision of the party committee leadership and the Board of Supervisors. Fourthly, The Board of Supervisors promoted the implementation of the rectification of the problems found with the Group's inspection, continuously implemented the rectification measures, consolidated the long-term mechanism of rectification, and improved the supervision effectiveness of the Board of Supervisors through inspection and reform.

### ***Carrying out compliance supervision and fully performing statutory supervision duties***

#### *Standardising the meeting of the Board of Supervisors to strengthen the efficiency of deliberation and supervision*

During the reporting period, seven meetings of the Board of Supervisors were organised, and 88 proposals and reports were considered and reviewed; and 5 meetings of nomination committee and 2 meetings of supervision committee were held, at which 13 proposals were considered. By optimising proposal management and strengthening supervision service support, the quality and efficiency of the deliberation and supervision of the Board of Supervisors have been continuously improved. Firstly, in addition to the ordinary proposals, it covered for the first time important issues such as additional share issuance, reputation risk, strategic risk, asset write-off, impairment provision, outsourcing management, performance appraisal of senior management, etc., and the scope of supervision was further expanded. Secondly, members of the Board of Supervisors actively exerted their professional expertise and experience advantages, actively expressed substantive supervision opinions, and prudently exercised their voting rights according to law, which significantly enhanced the depth and activity of the meeting exchanges and discussions. Thirdly, after the meeting, the notice of handling agreed matters was sent in time, the implementation of resolutions was continuously tracked, and reports were made to the Board of Supervisors regularly, and the closed-loop management of deliberation and supervision was further strengthened.

#### *Promoting the inspection and investigation to improve the quality and efficiency of supervision in multiple dimensions*

The Board of Supervisors focused on the key and difficult points and regulatory focus in the operation and management of the Bank, optimised the formulation of the annual inspection and research plan, innovated the research organisation mode, and promoted implementation of that mode as a whole. Firstly, the Board of Supervisors conducted joint research with the Board of Directors. In April 2021, the joint research group of the Board of Supervisors and the Board of Directors were dispatched to 13 departments of Guangzhou Branch and the Head Office to conduct research. Through visiting outlets, listening to reports, discussing and communicating, the Board of Supervisors got a deep understanding of the actual situation of operation and management in many aspects. Focusing on the implementation of the decision-making arrangements and financial supervision requirements of the CPC Central Committee by the Head Office and the Branch, the Board of Supervisors promoted business transformation and high-quality development, and gave guidance and suggestions on business operation strategy, risk prevention and control, internal control and compliance, internal audit quality and efficiency, and the insurance-bank-synergy. After the investigation, a special report was prepared, which was actively fed back to the management. Secondly, the Board of Supervisors organised questionnaire surveys in the fields of finance and risk management. Research reports were prepared by sending questionnaires to relevant departments, studying relevant materials, putting forward relevant supervision suggestions and then the same was sent to relevant departments for research and implementation.

#### *Innovating the way of supervision to improve the daily supervision mechanism*

A letter-based supervision mechanism was established. By sending the Work Letter of the Board of Supervisors, the Board of Supervisors could accurately focus on the supervision matters, strengthen the comprehensiveness and timeliness of the intercessional supervision of the Board of Supervisors, and urge the management to perform their duties. During the reporting period, the Board of Supervisors sent more than 30 Work Letters of the Board of Supervisors to the management, focusing on the implementation of regulatory requirements in areas such as debt quality management, data governance, anti-money laundering and performance appraisal, as well as the implementation and accountability of financial regulatory opinions, and put forward relevant opinions.

## Corporate Governance

### ***Effectively implementing supervision in key areas and put forward constructive supervision opinions***

#### *Carrying out supervision of strategic planning and consumer rights protection*

Firstly, the Board of Supervisors considered the Bank's "14th Five-Year Plan" development plan to evaluate the scientificity, rationality and robustness of the development plan, urged the management to implement the strategic transmission mechanism, clarified the strategy implementation proposal plan and progress, strengthened the supervision and evaluation of strategy implementation, and implemented the closed-loop management of formulation, implementation and evaluation of strategy. Secondly, the Board of Supervisors strengthened the supervision of consumer rights protection, reviewed the work situation and work plan of consumer rights protection, supervision and evaluation notification and rectification, and requested the management to further improve the consumer protection work system, improved the consumer protection risk control mechanism, and deeply integrated consumer rights protection into business operations, product services and corporate culture.

#### *Strengthening risk management supervision*

Firstly, the Board of Supervisors considered proposals such as comprehensive risk management report, risk appetite policy, and revision of risk appetite management measures, reviewed reports such as liquidity risk, market risk, operational risk, and collection and disposal of non-performing assets, and urged the management to strengthen the bottom line thinking, improve the comprehensive risk management mechanism, optimise all kinds of risk management strategies as a whole, and strengthen the management and control of all kinds of risks and asset quality. Secondly, the Board of Supervisors focused on outsourcing risk management, studied and discussed the proposal of outsourcing strategy, outsourcing management and outsourcing of non-litigation collection for retail credit outsourcing in the 14th Five-Year Plan, and put forward constructive supervision opinions on optimising outsourcing structure, strengthening outsourcing risk control and reducing outsourcing collection risk. Thirdly, the Board of Supervisors conducted the inspection and investigation of risk areas and put forward some suggestions for the Bank's comprehensive risk management, such as moving forward the focus of risk management, focusing on resolving key business risks, and strengthening the whole process management before, during and after lending.

#### *Strengthen internal control and compliance supervision*

Firstly, the Board of Supervisors strengthened the supervision of the internal control and compliance system. the Board of Supervisors reviewed proposals on internal control evaluation, self-evaluation of case prevention and employee behavior evaluation with a focus on internal control system operation, system construction and process optimisation of the Bank, and urged the management to further strengthen compliance performance evaluation, improve the long-term mechanism of case prevention and employee behavior management, and promote the construction of compliance culture. Secondly, the Board of Supervisors strengthened the supervision of internal control on anti-money laundering. the Board of Supervisors considered the proposals on the management measures of anti-money laundering and anti-terrorist financing, amended the money laundering risk management strategy and major anti-money laundering issues and money laundering risk management, and urged the management to continuously optimise the money laundering risk assessment mechanism, implement customer admittance requirements and money laundering risk control measures, and to implement more active and forward-looking money laundering risk management throughout the Bank. Thirdly, the Board of Supervisors strengthened the management and supervision of related party transactions. The Board of Supervisors regularly reviewed reports on related party transactions, list of related parties, and filing of general related party transactions etc., considered the proposal of related party transactions of the Bank's capital increase, and urged the management to comply with related party transaction management procedures to prevent related party transaction risks.

#### *Strengthening financial control and supervision*

Firstly, the Board of Supervisors reviewed the annual financial audit report, preliminary profit distribution plan, annual report, financial budget and final accounts and other proposals, and issued audit opinions to ensure that the preparation process, audit procedures and content key points are in compliance with laws and regulations; regularly reviewed the report on operation and budget implementation, and requested the management to strengthen the connection between budget indicators and strategic planning objectives, optimise the business and income structure, increase the proportion of intermediary business income, strengthen cost control and to enhance profitability. Secondly, the Board of Supervisors further strengthened communication with external audit institutions, listened to the annual external audit work

plan and reports on external audit work in the past five years, and exerted the supervisory role of the Board of Supervisors with the help of external audit; considered the proposal on engagement of accountant firm, and supervised the compliance of the newly hired external audit institution, the fairness of the terms of employment and remuneration. Thirdly, the Board of Supervisors strengthened the supervision over the quality of data submitted by supervision body, reviewed the report on the rectification of audit and investigation problems of data quality of supervision standardisation, and requested the management to fully implement supervision rectification according to standards, and improve the Bank's data governance system and working mechanism to continuously improve the quality of supervision standardisation data. Fourthly, the Board of Supervisors conducted the inspection and investigation in the financial field and suggested that the management should continuously optimise the structure of assets and liabilities, increase the proportion of non-interest income, improve ROA and ROE indicators, and increase the per capita net average production capacity.

#### *Strengthening the supervision and guidance of internal audit*

Firstly, the Board of Supervisors further strengthened the supervision and guidance of the internal audit line, reviewed the annual audit report, audit plan and other proposals, promoted the rectification of audit findings, consolidated the long-term rectification mechanism, improved the audit closed-loop management, and requested the management to adhere to the supervision orientation and risk orientation, and to continuously optimise the allocation of internal audit resources. Secondly, the Board of Supervisors urged to exert the role of internal audit supervision and fulfilled the duties of the third line of defense. the Board of Supervisors reviewed the report on the problems found in the annual audit project, required the internal audit to highlight key points, expanded the depth and breadth of audit, exerted its efforts to play the role of audit in finding irregularities and potential risks to improve the quality and efficiency of audit work; reviewed the special audit report of off-balance-sheet business, and requested to promote the establishment and improvement of off-balance-sheet business risk management system, and clarify the responsibilities of off-balance-sheet business risk management for each department.

#### *Strengthening the supervision of salary management*

The Board of Supervisors deliberated the proposals of performance appraisal results and salary distribution of leaders and senior executives for 2020 and performance appraisal indexes for 2021, supervised the implementation of the Bank's salary management system and the scientificity and rationality of the salary scheme of senior executives, and requested dynamic optimisation of the weight of performance appraisal indexes to ensure that performance management is compatible with strategic objectives, thus giving full play to the value-oriented role of performance appraisal.

#### *Strengthening the supervision and restraint of performance of duties*

Firstly, The Board of Supervisors strengthened the process supervision of the performance of duties. Supervisors attended 4 general meetings of shareholders and 8 on-site meetings of the Board of Directors as nonvoting delegates, effectively supervising the research and decision-making process of business operation, internal control and compliance, risk prevention and control and development strategy of the whole bank, and earnestly supervising the daily performance of duties of directors and senior executives. On behalf of the Board of Supervisors, the Chairman of the Board of Supervisors attended important business management meetings such as the Party Committee of the Head Office, the President's Office Meeting and the Bank's work meeting, thus strengthening the supervision over the decision-making process of major issues, and giving full play to the supervision and restraint functions. Secondly, the Board of Supervisors conducted the annual performance evaluation of directors and supervisors and senior executives in compliance with the regulations. The Board of Supervisors comprehensively sorted out the main points of performance evaluation, enriched and improved the evaluation dimensions, optimised the performance evaluation scheme, paid attention to communication and coordination with all parties, and obtained performance information through daily supervision, communication and exchange of information, and performance files reading. Based on the results of self-evaluation and mutual evaluation of directors, supervisors and senior executives, qualitative and quantitative analysis was made on the performance data, and the performance of loyalty and diligence of directors, supervisors and senior executives was comprehensively evaluated. The performance evaluation results were carefully determined, and a performance evaluation report was prepared, which comprehensively and objectively reflected the performance of directors, supervisors and senior executives, and was promptly reported to CBIRC and the shareholders' meeting.

# Corporate Governance

## ***Strengthening the self-improvement of the Board of Supervisors to perform its duties in a due way***

Firstly, the Board of Supervisors promoted the construction of the Board of Supervisors system. the Board of Supervisors studied and interpreted China Banking and Insurance Regulatory Commission's Corporate Governance Standards for Banking Insurance Institutions and Measures for Evaluating the Performance of Directors and Supervisors of Banking Insurance Institutions (Trial), examine and analysed the gap in regulation, and formulated and implemented Measures for Evaluating the Performance of Directors and Supervisors by the Board of Supervisors of China Guangfa Bank Co., Ltd. (Trial) in light of the actual situation. Secondly, the Board of Supervisors carried out trainings at multiple levels for communication. The Board of Supervisors organised supervisors to participate in online training on anti-money laundering compliance management, continuously improved supervisors' professional ability to perform their duties, and further consolidated the basis for performing their duties. The Board guided the Office of the Board of Supervisors to jointly organise special training on corporate governance, publicise the key points of the Board of Supervisors' performance of duties and the requirements of the codes for proposals, and enhance the awareness and ability of all departments to cooperate with the Board of Supervisors in performing their duties in compliance. Thirdly, the Board of Supervisors pre-planned the work direction of the Board of Supervisors in the "14th Five-Year Plan". Based on the new situation and new requirements, within the framework of corporate governance planning, the board scientifically planned the work plan of the Board of Supervisors during the "14th Five-Year Plan", established the construction objectives, principles and key measures of the Board of Supervisors during the "14th Five-Year Plan", and provided clear guidance for the Board of Supervisors to carry out high-quality supervision.

## **Independent Opinions of the Board of Supervisors on Relevant Matters**

### ***Legitimate Business***

During the reporting period, the Bank carried out operations in strict compliance with all applicable laws and regulations. The decision-making procedure of the Bank has fulfilled relevant requirements of laws, regulations and the Articles of Association of the Bank. There were no behaviors of directors and senior executives of the Bank found to have violated laws, regulations, the Article of Association of the Bank or have contravened the interests of the Bank or the shareholders.

## ***Financial reporting***

During the reporting period, Ernst & Young Hua Ming (LLP) and Ernst & Young respectively audited the 2020 financial statements prepared by the Bank in accordance with CAS and IAS. The Board of Supervisors thinks that the 2020 financial statements of the Bank are prepared and audited in accordance with legal and regulatory requirements and give a true, fair and comprehensive view on the Bank's actual operation.

## ***Preliminary profit distribution plan***

During the reporting period, the Board of Supervisors considered and approved the 2020 Preliminary Profit Distribution Plan of China Guangfa Bank, regarded such plan and its decision-making procedures in compliance with requirements of laws, regulations and the Article of Association of the Bank while giving consideration to the current and long-term interests of shareholders of the Bank and taking full account of, among others, the Bank's capital adequacy level, strategic development requirements and external regulations, thus determined such plan is in line with the actual conditions of the Bank and agreed on its submission to the Shareholder's General Meeting for deliberation.

## ***Connected transactions***

During the reporting period, the Board of Supervisors considered and approved the Resolution on 2020 Connected Transactions of China Guangfa Bank, Resolution on China Life Insurance Co., Ltd.'s Participation in Connected Transactions of China Guangfa Bank's Capital Increase, the Report on the List of related Parties of China Guangfa Bank, Report on the Filing of General Connected Transactions of China Guangfa Bank in 2020, and Report on Agricultural Development Bank that is not a related party of China Guangfa Bank, and required the management to enhance the compliance management of connected transactions, strictly comply with relevant procedures on filing, approval, reporting and disclosure of connected transactions and reporting and updating of connected parties' information, in a view to prevent connected transaction risks. No acts in breach of the principle of fairness or infringed the interests of the Bank or its shareholders were found in the connected transactions of the Bank.

### **Internal control**

During the reporting period, the Board of Supervisors considered and approved the Resolution on the 2020 Internal Control Evaluation Report of China Guangfa Bank, and believed that as of the base date of the Internal Control Evaluation Report, no major deficiencies existed in the Bank's financial report, and no major deficiencies were found in the non-financial reporting internal control. The Board of Supervisors had no objection to the report.

### **Implementation of Information Disclosure System**

During the reporting period, the Bank fulfilled its information disclosure obligations in compliance with regulatory requirements, conscientiously implemented the information disclosure management system, disclosed information in a timely manner, and disclosed truthful, accurate and complete information.

### **Implementation of resolutions of shareholders' general meetings**

During the reporting period, the Board of Supervisors had no objections to the proposals and reports submitted by the Board of Directors to Shareholders' General Meeting and concluded that the Board of Directors had conscientiously implemented the relevant resolutions of Shareholders' General Meeting.

### **Information on Senior Management**

The President of the Bank is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors. Vice Presidents and other senior management shall assist the President's work. The authority of Senior Management and the Board of Directors are separated strictly in accordance with corporate governance policies including the Articles of Association of the Bank.

The specialized committees under Senior Management of the Bank include: Budget Management Committee, Central Procurement Committee, Financial Examination Committee, Strategy Development Committee, Product and Innovation Committee, Comprehensive Financial Marketing Committee, Consumer Right Protection Work Committee, Performance Management Committee, Corporate Annuity Management Committee, School Affair Committee of CGB Party School (Guangfa Training Institute), Internal Control Compliance and Risk Management Committee, Business Continuity Management Committee, Accountability Committee, Confidentiality Committee, Technology Management Committee, Data management and Control Committee, Non-performing Asset Disposal Approval Committee, Asset and Liabilities Management Committee, Credit Approval Committee, Financing Trust Consignment Sale Review Committee and Investment Business Approval Committee.



## Confirmation of the Bank's Annual Report 2021 by Directors and Senior Executives

We as Directors and Senior Executives of China Guangfa Bank Co., Ltd., have thoroughly understood and reviewed the Bank's Annual Report 2021, issue our opinions as follows:

- I. Operations of the Bank are in strict compliance with the Accounting Standards for Business Enterprises, the Accounting Regulations for Business Enterprises, the Accounting Regulations for Financial Enterprises and relevant provisions; and the Bank's Annual Report 2021 gives a fair view of financial position and operating results of the Bank for the reporting period.
- II. The Bank's financial statements for 2021 have been audited by PricewaterhouseCoopers Zhongtian LLP in accordance with China Standards on Auditing for Certified Public Accountants, which issued a standard auditor's report with unqualified opinions.
- III. We confirm that the information disclosed in the Bank's Annual Report 2021 is true, accurate and complete, and we confirm that there is no misrepresentation or misleading statement contained or material omission from it. We undertake individual and several liability for the truthfulness, accuracy and completeness of its content.

### Signatures of Directors and Senior Executives

Name	Name
Wang Kai	Su Hengxuan
Yin Yi	Zhang Di
Yang Dongwei	Liu Lixiao
Cai Chengwei	Liu Xiangyang
Tang Xiaoqing	Chen Yachu
Guo Yunzhao	Chen Shimin
Zhao Xudong	Wang Bing
Zheng Xiaolong	Xu Hongxia
Chen Xiangrong	Li Guangxin
Lin Deming	Fang Qi
Li Xiaoshui	Zhang Wei

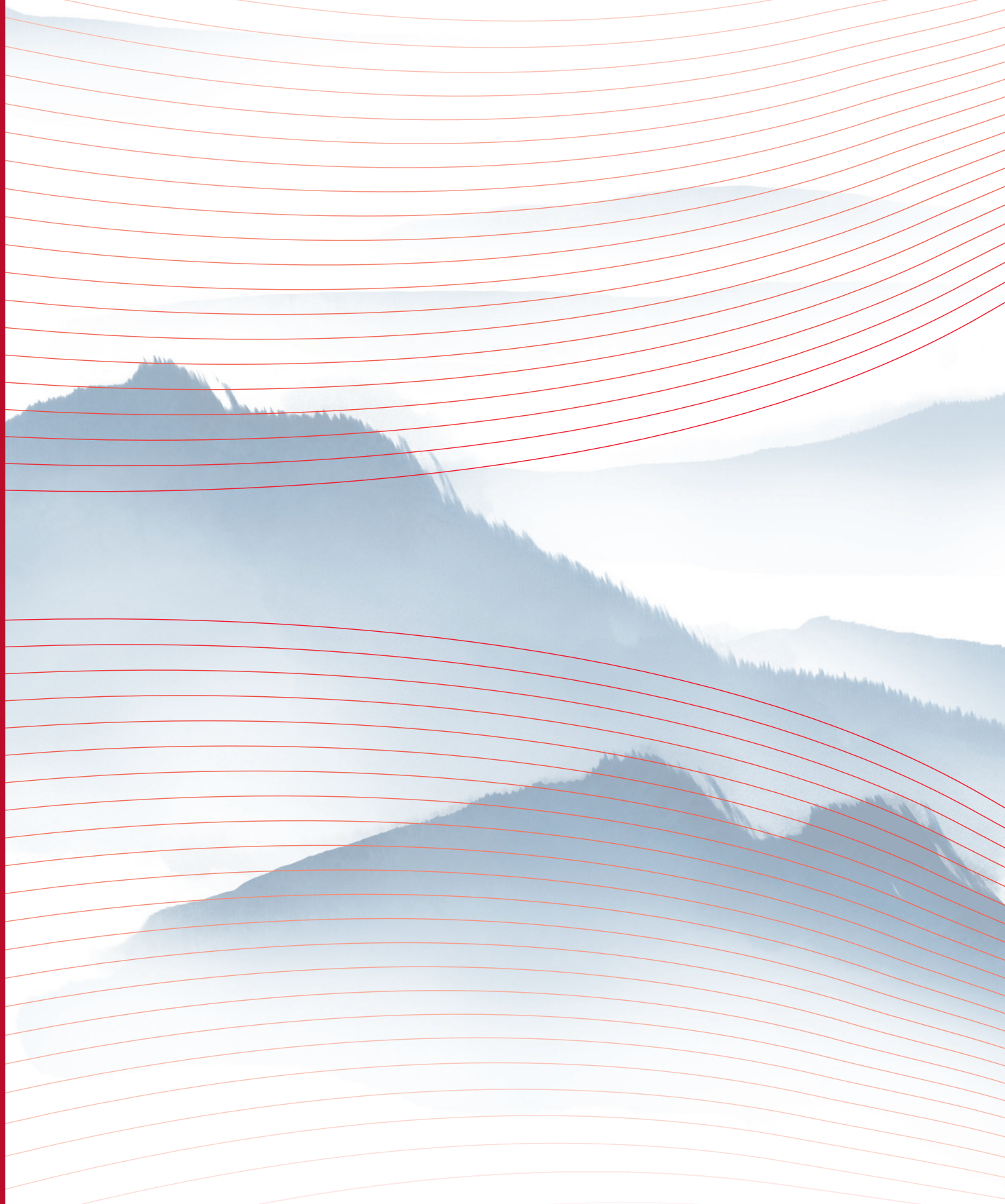
Note: Mr. Wang Bing resigned from the position of Vice President on 24 December 2021, and mainly performed his duties as Vice President of the Bank during the reporting period.

## Documents Available for Inspection

- I. Original copy of written confirmation of the Annual Report 2021 by Directors and Senior Executives of the Bank.
- II. Original copy of the auditor's report with Certified Public Accountant Firm's chop affixed, signed and sealed by Certified Public Accountants.
- III. Articles of Association of China Guangfa Bank Co., Ltd.



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# 开放融合 双向赋能

The Bank will promote insurance-banking synergy and continue to reinforce collaboration within the bank. Based on supply-side structural reform, the Bank will innovate comprehensive financial products and patterns and provide customers with full-spectrum, one-stop and comprehensive financial services, with an aim to realize “one customer, one CGB, one China Life”. Adhering to the principle of two-way empowerment of synergy, mutual benefit and win-win, the Bank will create an inclusive and integrated bank.

# Auditor's Report



普华永道

## Auditor's Report

PwC ZT Shen Zi (2022) No. 23641  
(Page 1 of 3)

To the Board of Directors of China Guangfa Bank Co., Ltd.,

### Opinion

#### What we have audited

We have audited the accompanying financial statements of China Guangfa Bank Co., Ltd. (hereinafter "the Bank"), 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 cash flows for the year then ended;
- the consolidated and bank statements of changes in shareholders' equity for the year then ended;
- the notes to the financial statements.

#### Our opinion

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 their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

#### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Bank 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.

#### Other Information

Management of the Bank is responsible for the other information. The other information comprises all of the information included in 2021 annual report of the 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.



## Auditor's Report (continued)

PwC ZT Shen Zi (2022) No. 23641  
(Page 2 of 3)

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.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as 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 these financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### 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:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Bank'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 these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

# Auditor's Report

## Auditor's Report (continued)

PwC ZT Shen Zi (2022) No. 23641  
(Page 3 of 3)

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

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



PricewaterhouseCoopers Zhong Tian LLP



Signing CPA

叶少寬

Yip Siu Foon



Signing CPA

魯健

Lu Jian

# Consolidated Balance Sheet

As at 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Group	
	VI	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and due from central banks	1	<b>331,312,342</b>	249,293,004
Due from banks and other financial institutions	2	<b>14,689,813</b>	15,319,508
Precious metals		<b>1,105,481</b>	2,133,639
Placements with banks and other financial institutions	3	<b>60,465,550</b>	97,984,897
Derivative financial assets	4	<b>17,080,294</b>	28,641,143
Financial assets held under resale agreements	5	<b>151,902,214</b>	107,044,659
Loans and advances to customers	6	<b>1,969,756,403</b>	1,754,573,404
Financial investment			
– Financial assets held for trading	7	<b>142,955,975</b>	147,364,366
– Debt investments	8	<b>408,086,317</b>	332,401,222
– Other debt investments	9	<b>210,227,708</b>	243,799,610
– Other equity investments	10	<b>2,114,302</b>	2,189,408
Fixed assets	12	<b>9,637,000</b>	9,699,680
Construction in progress	13	<b>1,359,972</b>	881,735
Intangible assets	14	<b>5,429,368</b>	4,597,562
Right-of-use assets	15	<b>5,346,731</b>	Not applicable
Deferred tax assets	16	<b>13,652,545</b>	15,359,752
Other assets	17	<b>14,862,531</b>	16,688,408
<b>TOTAL ASSETS</b>		<b>3,359,984,546</b>	3,027,971,997

# Consolidated Balance Sheet

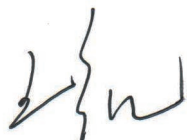
As at 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Group	
	VI	31 December 2021	31 December 2020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to central banks		27,650,213	93,121,962
Due to banks and other financial institutions	19	524,142,226	464,918,582
Placements from banks and other financial institutions	20	62,817,384	16,666,558
Financial liabilities held for trading	21	14,566	15,980,797
Derivative financial liabilities	4	16,723,902	28,000,555
Financial assets sold under repurchase agreements	22	70,064,869	85,124,335
Customer deposits	23	2,094,773,205	1,852,555,464
Employee benefits payable	24	8,743,885	6,892,827
Taxes payable	25	4,946,162	7,023,372
Provisions	26	3,302,186	2,841,373
Lease liabilities	27	5,194,078	Not applicable
Bonds issued	28	282,749,134	221,916,699
Other liabilities	29	24,361,981	14,779,832
<b>Total liabilities</b>		<b>3,125,483,791</b>	<b>2,809,822,356</b>

## The Group

	VI	31 December 2021	31 December 2020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)</b>			
<b>Shareholders' equity</b>			
Share capital	30	19,687,196	19,687,196
Other equity instruments	31	44,991,071	44,991,071
Capital reserve	32	37,050,086	37,050,086
Other comprehensive income	33	3,425,426	940,329
Surplus reserve	34	14,280,811	12,533,173
General reserve	35	38,099,646	34,991,137
Undistributed profits	36	76,966,519	67,956,649
<b>Total shareholders' equity</b>		<b>234,500,755</b>	218,149,641
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,359,984,546</b>	3,027,971,997

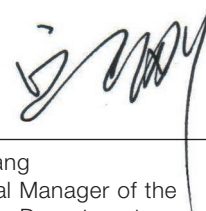
The accompanying notes form an integral part of these financial statements.  
The financial statements on pages 155 to 322 signed by:



Wang Kai  
Legal representative and  
President



Yin Yi  
Managing Vice President in  
Charge of Finance



Qiu Gang  
General Manager of the  
Finance Department



China Guangfa Bank Co., Ltd.



# Bank Balance Sheet

As at 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	31 December 2021	31 December 2020
<b>Assets</b>			
Cash and due from central banks	1	331,312,342	249,293,004
Due from banks and other financial institutions	2	9,638,340	15,319,508
Precious metals		1,105,481	2,133,639
Placements with banks and other financial institutions	3	60,465,550	97,984,897
Derivative financial assets	4	17,080,294	28,641,143
Financial assets held under resale agreements	5	151,902,214	107,044,659
Loans and advances to customers	6	1,969,756,403	1,754,573,404
Financial investment			
– Financial assets held for trading	7	142,955,975	147,364,366
– Debt investments	8	408,086,317	332,401,222
– Other debt investments	9	210,227,708	243,799,610
– Other equity investments	10	2,114,302	2,189,408
Long-term equity investments	11	5,000,000	–
Fixed assets	12	9,625,279	9,699,680
Construction in progress	13	1,359,972	881,735
Intangible assets	14	5,429,368	4,597,562
Right-of-use assets	15	5,292,445	Not applicable
Deferred tax assets	16	13,652,545	15,359,752
Other assets	17	14,829,714	16,688,408
<b>TOTAL ASSETS</b>		<b>3,359,834,249</b>	<b>3,027,971,997</b>

The Bank

	VI	31 December 2021	31 December 2020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Due to central banks		27,650,213	93,121,962
Due to banks and other financial institutions	19	524,171,306	464,918,582
Placements from banks and other financial institutions	20	62,817,384	16,666,558
Financial liabilities held for trading	21	14,566	15,980,797
Derivative financial liabilities	4	16,723,902	28,000,555
Financial assets sold under repurchase agreements	22	70,064,869	85,124,335
Customer deposits	23	2,094,773,205	1,852,555,464
Employee benefits payable	24	8,714,614	6,892,827
Taxes payable	25	4,921,899	7,023,372
Provisions	26	3,300,553	2,841,373
Lease liabilities	27	5,141,061	Not applicable
Bonds issued	28	282,749,134	221,916,699
Other liabilities	29	24,361,851	14,779,832
<b>Total liabilities</b>		<b>3,125,404,557</b>	<b>2,809,822,356</b>

# Bank Balance Sheet

As at 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	31 December 2021	31 December 2020
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)</b>			
<b>Shareholders' equity</b>			
Share capital	30	19,687,196	19,687,196
Other equity instruments	31	44,991,071	44,991,071
Capital reserve	32	37,050,086	37,050,086
Other comprehensive income	33	3,425,426	940,329
Surplus reserve	34	14,273,705	12,533,173
General reserve	35	38,099,646	34,991,137
Undistributed profits	36	76,902,562	67,956,649
<b>Total shareholders' equity</b>		<b>234,429,692</b>	218,149,641
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,359,834,249</b>	3,027,971,997

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

# Consolidated Income Statement

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Group	
	VI	2021	2020
Interest income		128,182,553	127,842,081
Interest expenses		(72,683,310)	(64,994,782)
Net interest income	37	55,499,243	62,847,299
Fee and commission income		17,021,569	15,817,792
Fee and commission expenses		(4,839,732)	(4,515,838)
Net fee and commission income	38	12,181,837	11,301,954
Investment income	39	7,256,181	5,086,633
Including: Income from the derecognition of financial assets measured at amortised cost		24,017	915,295
Share of results of an associate		–	459
Gains/(Losses) arising from changes in fair value	40	(672,763)	771,545
Foreign exchange gains	41	433,534	257,558
Other operating income		56,387	81,906
Gains from disposal of non-current assets	42	9,975	55,165
Other income	43	140,262	123,319
<b>Revenue</b>		<b>74,904,656</b>	<b>80,525,379</b>
Taxes and surcharges	44	(911,984)	(969,675)
Operating and administrative expenses	45	(27,265,839)	(23,076,037)
Impairment losses on assets		(25,485,025)	(38,920,652)
Including: Credit impairment losses	46	(25,476,171)	(38,875,894)
Other asset impairment losses		(8,854)	(44,758)
Other operating expenses		(13,117)	(40,499)
<b>Operating expenses</b>		<b>(53,675,965)</b>	<b>(63,006,863)</b>
<b>Operating profit</b>		<b>21,228,691</b>	<b>17,518,516</b>
Add: Non-operating income	47	177,569	110,373
Less: Non-operating expenses	47	(147,164)	(51,145)
<b>Profit before income tax</b>		<b>21,259,096</b>	<b>17,577,744</b>
Less: Income tax expenses	48	(3,782,712)	(3,765,733)
<b>Profit for the year</b>		<b>17,476,384</b>	<b>13,812,011</b>
– Attributable to shareholders of the parent company		17,476,384	13,812,011
– Minority interests		–	–

# Consolidated Income Statement

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Group	
	VI	2021	2020
Earnings per share			
– Basic and diluted earnings per share (in RMB)		<b>0.78</b>	0.60
Other comprehensive income, net of tax	33	<b>2,415,644</b>	(1,943,838)
Items that may not be reclassified subsequently to profit and loss		<b>(54,002)</b>	(143,130)
1.Changes in fair value of other equity investments		<b>(54,002)</b>	(143,130)
Items that may be reclassified subsequently to profit and loss		<b>2,469,646</b>	(1,800,708)
1.Changes in fair value of other debt investments		<b>2,166,240</b>	(1,744,146)
2.Provision for credit impairment of other debt investments		<b>68,663</b>	163
3.Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income		<b>106,309</b>	(44,180)
4.Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income		<b>152,815</b>	12,126
5.Exchange differences on translation of financial statements and others		<b>(24,381)</b>	(24,671)
<b>Total comprehensive income</b>		<b>19,892,028</b>	11,868,173

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



# Bank Income Statement

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	2021	2020
Interest income		128,181,080	127,842,081
Interest expenses		(72,797,568)	(64,994,782)
Net interest income	37	55,383,512	62,847,299
Fee and commission income		17,021,569	15,817,792
Fee and commission expenses		(4,848,289)	(4,515,838)
Net fee and commission income	38	12,173,280	11,301,954
Investment income	39	7,256,181	5,086,633
Including: Income from the derecognition of financial assets measured at amortised cost		24,017	915,295
Share of results of an associate		–	459
Gains/(Losses) arising from changes in fair value	40	(672,763)	771,545
Foreign exchange gains	41	433,534	257,558
Other operating income		56,387	81,906
Gains from disposal of non-current assets	42	9,975	55,165
Other income	43	128,262	123,319
<b>Revenue</b>		<b>74,768,368</b>	<b>80,525,379</b>
Taxes and surcharges	44	(911,922)	(969,675)
Operating and administrative expenses	45	(27,224,364)	(23,076,037)
Impairment losses on assets		(25,485,025)	(38,920,652)
Including: Credit impairment losses	46	(25,476,171)	(38,875,894)
Other asset impairment losses		(8,854)	(44,758)
Other operating expenses		(13,117)	(40,499)
<b>Operating expenses</b>		<b>(53,634,428)</b>	<b>(63,006,863)</b>
<b>Operating profit</b>		<b>21,133,940</b>	<b>17,518,516</b>
Add: Non-operating income	47	177,569	110,373
Less: Non-operating expenses	47	(147,164)	(51,145)
<b>Profit before income tax</b>		<b>21,164,345</b>	<b>17,577,744</b>
Less: Income tax expenses	48	(3,759,024)	(3,765,733)
<b>Profit for the year</b>		<b>17,405,321</b>	<b>13,812,011</b>

# Bank Income Statement

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

		The Bank	
	VI	2021	2020
Earnings per share			
– Basic and diluted earnings per share (in RMB)		0.78	0.60
Other comprehensive income, net of tax	33	2,415,644	(1,943,838)
Items that may not be reclassified subsequently to profit and loss		(54,002)	(143,130)
1. Changes in fair value of other equity investments		(54,002)	(143,130)
Items that may be reclassified subsequently to profit and loss		2,469,646	(1,800,708)
1. Changes in fair value of other debt investments		2,166,240	(1,744,146)
2. Provision for credit impairment of other debt investments		68,663	163
3. Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income		106,309	(44,180)
4. Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income		152,815	12,126
5. Exchange differences on translation of financial statements and others		(24,381)	(24,671)
<b>Total comprehensive income</b>		<b>19,820,965</b>	<b>11,868,173</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2021		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	17,476,384	17,476,384
2. Other comprehensive income	33	-	-	-	2,415,644	-	-	-	2,415,644
Total comprehensive income		-	-	-	2,415,644	-	-	17,476,384	19,892,028
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,747,638	-	(1,747,638)	-
- Appropriation to general reserve	35	-	-	-	-	-	3,108,509	(3,108,509)	-
- Dividends	36	-	-	-	-	-	-	(1,515,914)	(1,515,914)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,747,638	3,108,509	(8,397,061)	(3,540,914)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	69,453	-	-	(69,453)	-
5. Others		-	-	-	-	-	-	-	-
31 December 2021		19,687,196	44,991,071	37,050,086	3,425,426	14,280,811	38,099,646	76,966,519	234,500,755

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2020		19,687,196	44,990,816	37,050,086	2,803,582	11,151,972	30,036,492	63,844,081	209,564,225
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	13,812,011	13,812,011
2. Other comprehensive income	33	-	-	-	(1,943,838)	-	-	-	(1,943,838)
Total comprehensive income		-	-	-	(1,943,838)	-	-	13,812,011	11,868,173
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,381,201	-	(1,381,201)	-
- Appropriation to general reserve	35	-	-	-	-	-	4,954,645	(4,954,645)	-
- Dividends	36	-	-	-	-	-	-	(1,258,012)	(1,258,012)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,381,201	4,954,645	(9,618,858)	(3,283,012)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	80,585	-	-	(80,585)	-
5. Others		-	255	-	-	-	-	-	255
31 December 2020		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641

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

# Bank Statement of Changes in Shareholders' Equity

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2021		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	17,405,321	17,405,321
2. Other comprehensive income	33	-	-	-	2,415,644	-	-	-	2,415,644
Total comprehensive income		-	-	-	2,415,644	-	-	17,405,321	19,820,965
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,740,532	-	(1,740,532)	-
- Appropriation to general reserve	35	-	-	-	-	-	3,108,509	(3,108,509)	-
- Dividends	36	-	-	-	-	-	-	(1,515,914)	(1,515,914)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,740,532	3,108,509	(8,389,955)	(3,540,914)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	69,453	-	-	(69,453)	-
5. Others		-	-	-	-	-	-	-	-
31 December 2021		19,687,196	44,991,071	37,050,086	3,425,426	14,273,705	38,099,646	76,902,562	234,429,692

	VI	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profits	Total
1 January 2020		19,687,196	44,990,816	37,050,086	2,803,582	11,151,972	30,036,492	63,844,081	209,564,225
Changes in equity for the year:									
1. Profit for the year		-	-	-	-	-	-	13,812,011	13,812,011
2. Other comprehensive income	33	-	-	-	(1,943,838)	-	-	-	(1,943,838)
Total comprehensive income		-	-	-	(1,943,838)	-	-	13,812,011	11,868,173
3. Appropriation of profit	36								
- Appropriation to surplus reserve	34	-	-	-	-	1,381,201	-	(1,381,201)	-
- Appropriation to general reserve	35	-	-	-	-	-	4,954,645	(4,954,645)	-
- Dividends	36	-	-	-	-	-	-	(1,258,012)	(1,258,012)
- Perpetual bond interest		-	-	-	-	-	-	(2,025,000)	(2,025,000)
		-	-	-	-	1,381,201	4,954,645	(9,618,858)	(3,283,012)
4. Internal transfer of equity									
- Transfer of other comprehensive income to retained earnings		-	-	-	80,585	-	-	(80,585)	-
5. Others		-	255	-	-	-	-	-	255
31 December 2020		19,687,196	44,991,071	37,050,086	940,329	12,533,173	34,991,137	67,956,649	218,149,641

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2021	2020
<b>Cash flows from operating activities</b>			
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		31,428,099	–
Net increase in customer deposits and amounts due to banks and other financial institutions		295,590,176	302,787,126
Net decrease in amounts due from central banks, and due from banks and other financial institutions		2,687,901	–
Net increase in amounts due to central banks		–	28,200,000
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		42,063,846	–
Cash received from interest, fee and commission		133,637,468	130,285,258
Cash received relating to other operating activities		1,402,376	118,677
Sub-total of cash inflows		506,809,866	461,391,061
Net increase in amounts due from central banks, and due from banks and other financial institutions		–	(6,809,381)
Net decrease in amounts due to central banks		(64,800,000)	–
Net increase in loans and advances to customers		(240,767,996)	(262,587,991)
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		–	(23,919,713)
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		–	(30,606,233)
Net increase in financial assets held for trading		(10,425,490)	(1,860,607)
Cash paid for interest, fee and commission		(63,559,452)	(59,332,233)
Cash paid to and on behalf of employees		(14,927,702)	(12,381,096)
Payments of taxes and surcharges		(11,746,422)	(12,679,803)
Cash paid relating to other operating activities		(8,895,393)	(10,115,781)
Sub-total of cash outflows		(415,122,455)	(420,292,838)
<b>Net cash flows from operating activities</b>	49	<b>91,687,411</b>	41,098,223

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Group	
		2021	2020
<b>Cash flows from investing activities</b>			
Cash received from disposals of investments		<b>387,331,534</b>	539,260,770
Cash dividends received		<b>44,437</b>	17,992
Cash received from returns on investments		<b>26,158,124</b>	20,388,303
Net cash received from disposals of fixed assets and other assets		<b>39,558</b>	82,811
Sub-total of cash inflows		<b>413,573,653</b>	559,749,876
Cash paid to acquire investments		<b>(427,842,390)</b>	(629,212,565)
Cash paid to acquire fixed assets, intangible assets and other assets		<b>(3,109,778)</b>	(2,269,671)
Sub-total of cash outflows		<b>(430,952,168)</b>	(631,482,236)
<b>Net cash flows from investing activities</b>		<b>(17,378,515)</b>	(71,732,360)
<b>Cash flows from financing activities</b>			
Cash received from capital contributions (Note VI. 29(ii))		<b>8,403,818</b>	—
Cash received from issuance of bonds issued		<b>453,226,419</b>	430,146,120
Sub-total of cash inflows		<b>461,630,237</b>	430,146,120
Cash payments for distribution of dividends		<b>(1,573,571)</b>	(1,211,073)
Cash payments for debt		<b>(391,049,155)</b>	(359,250,000)
Interest paid on issuance of bonds issued		<b>(8,912,355)</b>	(2,043,239)
Cash payments for distribution of perpetual bond interest		<b>(2,025,000)</b>	(2,025,000)
Repayment of principal and interest on lease liabilities		<b>(1,566,076)</b>	Not applicable
Sub-total of cash outflows		<b>(405,126,157)</b>	(364,529,312)
<b>Net cash flows from financing activities</b>		<b>56,504,080</b>	65,616,808
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(1,725,355)</b>	(1,337,578)
<b>Net increase in cash and cash equivalents</b>	49	<b>129,087,621</b>	33,645,093
Add: Cash and cash equivalents at the beginning of the year		<b>218,602,402</b>	184,957,309
<b>Cash and cash equivalents at the end of the year</b>	49	<b>347,690,023</b>	218,602,402

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



## Bank Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Bank	
		2021	2020
<b>Cash flows from operating activities</b>			
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		31,428,099	–
Net increase in customer deposits and amounts due to banks and other financial institutions		295,618,564	302,787,126
Net decrease in amounts due from central banks, and due from banks and other financial institutions		1,957,006	–
Net increase in amounts due to central banks		–	28,200,000
Net decrease in placements with banks and other financial institutions and financial assets held under resale agreements		42,063,846	–
Cash received from interest, fee and commission		133,514,140	130,285,258
Cash received relating to other operating activities		1,390,376	118,677
Sub-total of cash inflows		505,972,031	461,391,061
Net increase in amounts due from central banks, and due from banks and other financial institutions		–	(6,809,381)
Net decrease in amounts due to central banks		(64,800,000)	–
Net increase in loans and advances to customers		(240,767,996)	(262,587,991)
Net increase in placements with banks and other financial institutions and financial assets held under resale agreements		–	(23,919,713)
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		–	(30,606,233)
Net increase in financial assets held for trading		(10,425,490)	(1,860,607)
Cash paid for interest, fee and commission		(63,558,760)	(59,332,233)
Cash paid to and on behalf of employees		(14,922,233)	(12,381,096)
Payments of taxes and surcharges		(11,746,422)	(12,679,803)
Cash paid relating to other operating activities		(8,888,844)	(10,115,781)
Sub-total of cash outflows		(415,109,745)	(420,292,838)
<b>Net cash flows from operating activities</b>	49	<b>90,862,286</b>	41,098,223

# Bank Statement of Cash Flows

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

	VI	The Bank	
		2021	2020
<b>Cash flows from investing activities</b>			
Cash received from disposals of investments		387,331,534	539,260,770
Cash dividends received		44,437	17,992
Cash received from returns on investments		26,158,124	20,388,303
Net cash received from disposals of fixed assets and other assets		39,558	82,811
Sub-total of cash inflows		413,573,653	559,749,876
Cash paid to acquire investments		(427,842,390)	(629,212,565)
Cash paid to acquire fixed assets, intangible assets and other assets		(3,066,673)	(2,269,671)
Sub-total of cash outflows		(430,909,063)	(631,482,236)
<b>Net cash flows from investing activities</b>		(17,335,410)	(71,732,360)
<b>Cash flows from financing activities</b>			
Cash received from capital contributions (Note VI. 29(ii))		8,403,818	—
Cash received from issuance of bonds issued		453,226,419	430,146,120
Sub-total of cash inflows		461,630,237	430,146,120
Cash payments for distribution of dividends		(1,573,571)	(1,211,073)
Cash payments for debt		(391,049,155)	(359,250,000)
Interest paid on issuance of bonds issued		(8,912,355)	(2,043,239)
Cash payments for distribution of perpetual bond interest		(2,025,000)	(2,025,000)
Repayment of principal and interest on lease liabilities		(1,564,951)	Not applicable
Sub-total of cash outflows		(405,125,032)	(364,529,312)
<b>Net cash flows from financing activities</b>		56,505,205	65,616,808
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		(1,725,355)	(1,337,578)
<b>Net increase in cash and cash equivalents</b>	49	128,306,726	33,645,093
Add: Cash and cash equivalents at the beginning of the year		218,602,402	184,957,309
<b>Cash and cash equivalents at the end of the year</b>	49	346,909,128	218,602,402

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

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## I General information

China Guangfa Bank Co., Ltd. ("the Bank") (formerly known as Guangdong Develop Bank Co., Ltd) is a joint-stock commercial bank incorporated in Guangzhou Municipal of Guangdong Province in the People's Republic of China ("the PRC") on 8 September 1988 with the approval of the People's Government of Guangdong Province and the People's Bank Of China ("PBOC"). The Bank is established with special placement, and registered in Guangdong Province Administration for Industry and Commerce to obtain a legal person business license. The registered address is No. 713 Dongfengdong Road, Yuexiu District, Guangzhou.

With the approval of the China Banking Regulatory Commission on 27 January 2011, the Bank changed the name to "China Guangfa Bank Co., Ltd". The Bank obtained an updated financial license on 16 February 2011, and an updated business license for enterprises on 18 February 2011.

As at 31 December 2021, apart from the Head Office, the Bank has 48 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi'an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Qingdao, Haikou, Macau Special Administration Region of the People's Republic of China ("Macau") and Hong Kong Special Administration Region of the People's Republic of China ("Hong Kong") respectively.

The Bank's principal activities are the provision of corporate and retail deposits, loans and advances, payment and settlement, treasury business and other financial services. The Bank mainly operates in Mainland China, Macau and Hong Kong.

For the purpose of the Financial Statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

As at 31 December 2021, the Bank has 1 subsidiary in total. "The Group" includes China Guangfa Bank Co., Ltd. and GuangYin Wealth Management Co., Ltd.

Subsidiaries included in the scope of consolidation are listed in Note VIII.

These financial statements were authorised for issue by the Bank's Board of Directors on 25 March 2022.

## II Basis of preparation

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CASs").

The financial statements are prepared on a going concern basis.

## III Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Group for the year ended 31 December 2021 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and the company's financial position as at 31 December 2021 and their financial performance, cash flows and other information for the year then ended.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates

### 1 Accounting year

The accounting period of the Group follows the Gregorian calendar year that starts from January 1 to December 31.

### 2 Recording currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Group's domestic subsidiaries operate. Therefore, the Group's domestic subsidiaries choose RMB as their functional currency. The Group's foreign subsidiary choose its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements.

### 3 Foreign currency translation

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or rates that approximate the spot exchange rates on the dates of transactions. A rate that approximates the spot exchange rate is determined by a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss for the current period. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate as at the date the fair value is determined; Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Other translation differences are recognised to profit or loss for the current period.

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. Items of income and expenses in the income statement are translated into Renminbi at the spot exchange rates or rates that approximate the spot exchange rates at the transaction dates. The resulting exchange differences are recognised in other comprehensive income. On disposal of overseas operations, the other comprehensive income relevant to the overseas operations will be transferred to profit or loss at disposal for the current period, which will be calculated based on disposal proportion.

### 4 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid monetary assets that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, which comprise cash on hand and due from central banks with original maturity of less than 3 months, due from banks and other financial institutions, and placements with banks and other financial institutions and financial assets held under resale agreements.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

#### (1) Initial recognition, classification and measurement of financial instruments

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

In terms of financial assets purchased or sold in a regular way, an entity shall recognise the asset to be received and the liability to pay on the trade date or derecognise the asset that is sold and meanwhile recognise any gain or loss on disposal and a receivable from the buyer for payment on the trade date. The trade date is the date that the Group commits itself to purchase or sell a financial asset.

The financial assets or financial liabilities are measured at fair value at initial recognition. Transaction costs that are incremental and directly attributable to the acquisition of the financial assets or financial liabilities are included in the initially recognised amounts, except for the financial assets or financial liabilities at fair value through profit or loss, the related transaction costs of which are expensed in profit or loss for the current period.

##### *Financial assets*

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, the Group classifies financial assets as follows:

- (i) Financial assets at amortised cost;
- (ii) Financial assets at fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss

The business model reflects how the Group manages its financial assets to generate cash flow, that is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable, then the financial assets are classified as part of "other" business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the financial assets, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (1) Initial recognition, classification and measurement of financial instruments (continued)

##### *Financial assets (continued)*

Financial assets containing embedded derivatives shall be analysed as a whole when determining whether contractual cash flows are solely payments of principal and interest.

The Group's classification of debt instruments and equity instruments is as follows:

##### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government bonds and corporate bonds. The classification and measurement of a debt instrument depend on: (i) the Group's business model for managing the financial assets; and (ii) the contractual cash flow characteristics of the financial assets.

Based on these factors, the Group classifies its debt instruments into the following three measurement categories:

- (i) Measured at amortised cost: If the objective of the business model is to hold the financial assets to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as at fair value through profit or loss, the financial assets are measured at amortised cost.
- (ii) Measured at fair value through other comprehensive income: If the objective of the business model is to hold the financial assets to both collect the contractual cash flows and sell the financial assets, and the contractual terms of the financial asset give rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are not designated as at fair value through profit or loss, the financial assets are measured at fair value through other comprehensive income.
- (iii) Measured at fair value through profit or loss: The financial assets other than the above financial assets measured at amortised cost and financial assets at fair value through other comprehensive income are at fair value through profit or loss.

At initial recognition, the financial assets are designated as at fair value through profit or loss if an accounting mismatch can be eliminated or significantly reduced. Once the designation is made, it cannot be revoked.

##### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; An equity instrument is a contract that represents a residual interest in the assets of the issuer after deducting all of its liabilities, such as an ordinary share.



## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (1) Initial recognition, classification and measurement of financial instruments (continued)

##### *Financial liabilities*

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition. Financial liabilities at fair value through profit or loss are applied to derivatives financial liabilities, financial liabilities held for trading and other financial liabilities designated at initial recognition as the financial liabilities which are measured at fair value through profit and loss.

At initial recognition, for the purpose of providing more relevant accounting information, the Group may designate a financial liability as a financial liability at fair value through profit or loss, provided that the designation satisfies one of the following conditions.

- (i) such designation eliminates or significantly reduces accounting mismatch;
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management on that basis within the group.
- (iii) financial liabilities containing one or more embedded derivatives which significantly modify the cash flows

Financial liabilities are recognised when the transfer of financial assets does not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset does not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies; the measurement of relevant liabilities is set out in Note IV. 5(7) "Derecognition of financial assets" in applying the continuing involvement approach.

#### (2) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and shall apply the reclassification prospectively from the reclassification date. The Group shall not adjust retrospectively any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

#### (3) Determination of fair value of financial instruments

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 a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on their classification:

##### *Financial assets and financial liabilities at amortised cost*

The amortised cost of a financial asset or financial liability shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation 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 uses the effective interest method to calculate interest income and interest expenses on such assets and liabilities, which are presented as “interest income” and “interest expenses” respectively. Any gains or losses arising from derecognition, revision or impairment are recognised in profit or loss for the current period.

The effective interest method is a method to calculate amortised costs and interest income of financial assets at their effective interest rates. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the financial assets or shorter period, as applicable, are discounted to the carrying amount of the financial assets, without taking into impairment. When calculating the effective interest rate, the Group estimates future cash flows based on all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

##### *Financial assets at fair value through other comprehensive income*

##### Debt instruments

The interest income of such financial assets is recognised using the effective interest method. The interest income, impairment losses and foreign exchange differences are recognised in profit or loss for the current period. The remaining fair value changes are recognised in other comprehensive income. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to profit or loss for the current period.

##### Equity instruments

Investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income. Subsequent changes in the fair value are included in other comprehensive income, and no provision for impairment is made. When the financial asset is derecognised, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings. Dividends is recognised and included in profit or loss for the current period when the Group's right to receive payment of the dividend is established.

##### *Financial assets and financial liabilities at fair value through profit or loss*

The financial assets are subsequently measured at fair value and all gains or losses arising therefrom are recognised in profit or loss.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (5) Impairment of financial instruments

The Group assesses on a forward-looking basis the expected credit loss (“ECL”) associated with its debt instrument financial assets carried at amortised cost and measured at fair value through other comprehensive income, some loan commitments and financial guarantee contracts.

ECL refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted using original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. the present value of all cash shortfalls). Purchased or originated credit-impaired financial assets of the Group should be discounted at the credit-adjusted effective interest rate of the financial assets.

The Group's measurement of ECL of a financial instrument reflects:

- (i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) The time value of money;
- (iii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions as at the balance sheet date.

For financial instruments included in the measurement of ECL, the Group applies “three stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- (i) The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1.
- (ii) Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2. For details of criteria for judging significant increases in credit risk, please see Note XV. 2 “Credit risk”.
- (iii) Financial instruments with credit impairment are classified to Stage 3. For definition of credit-impaired assets please see Note XV. 2 “Credit risk”.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of ECLs on the financial instruments within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of ECLs on the financial instruments within the lifetime. For details of inputs, assumptions and estimation techniques used in measuring ECL, please see Note XV. 2 “Credit risk”.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (5) *Impairment of financial instruments (continued)*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current balance sheet date that the financial instrument no longer meets the condition that the credit risk has increased significantly since initial recognition, the Group shall measure the loss allowance at an amount equal to 12-month ECL at the current balance sheet date. Reversal of loss allowance therefrom shall be recognised in profit or loss for the current period, as impairment gains, except for purchased or originated credit-impaired financial assets. At the current balance sheet date, the Group shall only recognise the cumulative changes in lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

#### (6) *Modification of financial assets*

If the Group amends or rearranges the contract with its counterparty, which does not result in the de-recognition of the financial assets, but changes the cash flow of the contract, the Group shall evaluate whether the credit risk of the relevant financial instrument has increased significantly by comparing the risk of default of such assets after modification at the reporting date with the risk of default under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss for the current period. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

#### (7) *Derecognition of financial assets*

A financial asset is derecognised when one of the following criteria is satisfied: (i) the contractual rights to receive the cash flows from the financial asset are expired, (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

Under the condition that the financial asset has been transferred, if the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset and retains the control over the financial asset, related financial assets and liabilities are recognised to the extent of the Group's continuing involvement in the transferred financial asset.

On derecognition of financial assets, the difference between the considerations received together with the accumulated change of fair value originally recorded in other comprehensive income and the carrying amount of the financial assets transferred is recognised in profit or loss for the current period.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (8) *Derecognition of financial liabilities*

Financial liabilities are derecognised entirely or partially only when the current obligation is discharged or partly discharged because the contractual obligation under the financial liability is discharged, cancelled or expires.

The difference between the carrying amount of the financial liability derecognised and the consideration paid by the Group (including the transferred non-cash assets and the arisen new financial liabilities) is recognised in profit or loss for the current period.

#### (9) *Equity instruments*

An equity instrument is the contract that represents a residual interest in the assets of an entity after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recognised according to the actual consideration received less transaction expenses directly attributable to equity transactions.

#### (10) *Derivative financial instruments*

Derivative financial instruments are initially measured at fair value at the date the derivative contract is entered into and are subsequently measured at fair value. Changes in the fair value of derivatives financial instruments, other than those related to hedge accounting, are included in profit or loss for the current period.

#### (11) *Offset of financial assets and financial liabilities*

When the Group has a legally enforceable right that is currently enforceable to set off the recognised financial assets and financial liabilities, and when the Group intends either to settle on a net basis or to realise the financial assets and settle the financial liabilities simultaneously, the amount after offsetting of financial assets and financial liabilities is presented in the balance sheet. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and will not offset each other. The right of set-off shall not be dependent on future events and shall be enforceable by the Group in the ordinary course of operations of the Group and all counterparties, or in various circumstances such as default, insolvency or bankruptcy.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 5 Financial instruments (continued)

#### (12) *Financial assets held under resale agreements and financial assets sold under repurchase agreements*

In standard repurchase agreements, involving fixed repurchase dates and prices, the consideration paid for financial assets purchased under resale agreements is listed as financial assets held under resale agreements, and the corresponding purchased financial assets do not need to be recognised in the consolidated balance sheet. (Note XII "Collateral").

Financial assets transferred as collateral are not derecognised and they continue to be presented as financial assets classified prior to sale or loan, with the amounts received from counterparties presented as financial assets sold under repurchase agreements. Items that have not been derecognised are disclosed in Note XII "Collateral".

The bid-ask spread for financial assets held under resale agreements and financial assets sold under repurchase agreements shall be amortised using the effective interest rate method during the agreement period. Gains or losses generated are recognised in profit or loss for the current period.

### 6 Precious metals

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. The Group's precious metals held for trading are initially and subsequently measured at fair value and changes in fair value are recorded in profit or loss for the current period.

### 7 Long-term equity investments

Long-term equity investments include the Bank's long-term equity investments in subsidiaries.

#### *Subsidiaries*

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements.

Control is the power over investees that can bring variable returns through involvement in related activities of investees and the ability to influence the returns by using such power over investees.

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Except for cash paid or cash dividends or appropriation of profits declared but not yet distributed that have been included in the consideration in obtaining the investments, Cash dividend or appropriation of profit declared by the investees is recognised as investment income in profit or loss for the current period.



## IV Summary of significant accounting policies and accounting estimates (continued)

### 8 Fixed assets

Fixed assets are initially measured at cost and the expected discard expenses are taken into account. The costs of purchase of fixed assets include purchase price, related taxes and any directly attributable expenditure incurred before the assets are ready for their intended use.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss for the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated net residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	30 – 35 years	3% – 5%	2.7% – 3.2%
Computers and electronic equipment	5 years	3% – 5%	19% – 19.4%
Motor vehicles and other equipment	5 years	3% – 5%	19% – 19.4%

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

### 9 Construction in progress

Construction in progress includes necessary construction expenses and other related expenses incurred during the construction period, and are recognised based on actual construction expenditure. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortisation is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

### 10 Intangible assets

Intangible assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Intangible assets are recognised initially at cost.

Useful lives of intangible assets are determined based on the terms of bringing economic benefits to the Group. Intangible assets with terms of bringing economic benefits to the Group unforeseen are intangible assets with indefinite useful lives.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 10 Intangible assets (continued)

The useful lives of intangible assets are as follows:

	Estimated useful lives	Annual depreciation rates
Land use rights	30 – 50 years	2.00% – 3.33%
Computer software	5 years	20%
Other intangible assets	5 years	20%

The Group's land use rights are generally recognised as intangible assets. Relevant land use rights and buildings of the self-constructed plant are accounted for as the intangible assets and fixed assets. If the costs paid for the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the costs are recognised as fixed assets.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period.

### 11 Repossessed assets

The Group's repossessed financial assets are initially measured at fair value. Relevant transaction fees such as tax fees and advance litigation fees payable for obtaining the assets are included into the profit or loss for the current period or recognised at initially recorded value according to the type of financial asset. Non-financial repossessed assets are initially measured at fair value of the waived claims and other costs such as taxes that are directly attributable to the assets. On the balance sheet date, non-financial foreclosed assets are measured at the lower of the carrying amount and the net realisable value. When the net realisable value is lower than the carrying amount, provision for impairment is made.

### 12 Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

### 13 Impairment of non-financial assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets with indefinite useful life and intangible assets not ready for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value less costs to sell and the present value of the future cash flows expected to be derived from it. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 14 Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for termination of employment relationship, which include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### (1) Short-term employee benefits

Short-term employee benefits include 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, etc. The short-term employee benefits actually occurred are recognised as a liability 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.

#### (2) Post-employment benefits

The Group's post-employment benefits mainly include basic pensions, unemployment insurance and enterprise annuity, both of which belong to the defined contribution 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.

##### *Basic pensions*

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 percentage prescribed by the relevant local authorities. When employees retire, the relevant local authorities 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 or the cost of relevant assets.

##### *Enterprise annuity*

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in the Annuity Plan. The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the profit or loss for the current period when it incurs. The Group's contributions to the Annuity Plan are made at fixed amounts. If the annuity fund is insufficient to pay for the future retirement benefits of its staff, the Group is not bound to inject more funds. For overseas branches, the Annuity Plan is implemented in accordance with local laws and regulations.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 14 Employee benefits (continued)

#### (3) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss for the current period at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses for a restructuring that involves the payment of termination benefits.

#### *Early retirement benefits*

The Group offers early retirement benefits to those employees who accept early retirement arrangements. The early retirement benefits refer to the salaries and social security contributions to be paid to and for the employees who accept voluntary retirement before the normal retirement date prescribed by the State, as approved by management. The Group pays early retirement benefits to those early retired employees from the early retirement date until the normal retirement date. The Group accounts for the early retirement benefits in accordance with the treatment for 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 current period in which they occur.

### 15 Provisions

Provisions related to a contingency are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and 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. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Loss provision for financial guarantee contracts and provision for loan commitments which are recognised on the basis of ECL are presented as provisions.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 16 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for a temporary difference arising from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and deferred tax liabilities are offset when:

- the deferred tax assets and deferred tax liabilities are related to the same tax payer within the Group and the same taxation authority;
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

### 17 Recognition of income and expenses

#### (1) Interest income and expenses

Interest income and expenses on financial instruments are calculated using the effective interest method and recognised in profit or loss for the current period.

Please refer to Note IV. 5 “Financial instruments” for the accounting policies related to the interest income and interest expenses of financial assets and liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 17 Recognition of income and expenses (continued)

#### (2) Fee and commission income

Fee and commission income is recognised when the Group fulfils the contract performance obligation, namely at a point in time or in the period of time the customer obtains the control over relevant services.

For a contract obligation at a point in time, the Group recognises the revenue when a customer is in control of the underlying services. For a contract obligation satisfied over time, the Group recognises the revenue based on the progress of the obligation fulfilment within that period of time.

Contract assets refer to the rights to receive considerations for transferring commodities or services to the customer, and such rights depend on factors other than the passage of time. New financial instrument standards are applicable for impairment of contract assets. Reversely, receivables refer to the Group's unconditional right to collect consideration from customers, and the right only depends on one factor, the passage of time.

Contract liability refers to the obligation of the Group to transfer goods or services to customers according to consideration received or receivable.

Contract assets and contract liabilities under the same contract are presented on a net basis.

### 18 Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government.

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 (however, a government grant measured at a nominal amount is recognised directly in profit or loss for the current period). Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related profit or loss for the current period; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss for the current period, or deducted against related costs, expenses or losses directly in current period.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.



## IV Summary of significant accounting policies and accounting estimates (continued)

### 19 Fiduciary activities

Generally, the Group acts as agent, custodian or in any other fiduciary capacity to manage assets on behalf of the customer based on the agent agreements entered into with securities investment funds, wealth management products, insurance companies, trust companies, eligible overseas institutional investors, securities companies and other institutions. The Group provides services and charges fees only based on the agent agreement, but does not assume any risk or interest arising from the assets it manages on behalf of the customer. Such assets are not recognised in the balance sheet of the Group.

The Group also runs entrusted loan business. According to the entrusted loan contract, as the intermediary, the Group grants loans to the borrowers based on the targeted borrowers, purpose, amounts, interest rate and repayment plans determined by the trustor. The Group is responsible for arranging and collecting the entrusted loans, and charges fees for the services it provides, but does not assume any risk or interest arising from the entrusted loans. The entrusted loans and entrusted loan funds are not recognised in the balance sheet of the Group.

### 20 Loan commitments and financial guarantee contracts

The loan commitments provided by the Group are assessed for impairment on the basis of ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: (i) the amount of provisions for ECLs at the balance sheet date, and (ii) the amount initially recognised less the cumulative amortisation recognised in accordance with the guidance for revenue recognition.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for an instrument that includes both loans and unused commitments, and the ECL 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.

### 21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability can be an unrecognized present obligation caused by past events, because it will probably not cause any outflow of economic benefits or the amount of the obligation cannot be measured reliably. Instead of recognising such obligations, the Group only discloses commitments in Note XI to the financial statements. The Group will recognise them in provisions if they meet the recognition criteria for provisions.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 22 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *The Group as the lessee*

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments, the exercise price of a purchase option or termination penalty if the lessee is reasonably certain to exercise that option etc. Variable lease payments in proportion to sales are excluded from lease payments and recognised in profit or loss for the current period as incurred.

Right-of-use assets of the Group mainly comprise leased buildings, machinery and equipment, and motor vehicles. Right-of-use assets are initially measured at cost which comprises the amount of the initial measurement of lease liabilities, lease payments made at or before the commencement date, initial direct costs, costs to be incurred by the Group as lessee in accordance with the *CAS 13 – Contingencies* for dismantling and removing the lease asset, restoring the site on which it is located or restoring the lease asset to the condition required by the terms and conditions of the lease. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group chooses to include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term, instead of recognising right-of-use assets and lease liabilities.

The Group accounts 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; (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 contract.

For a lease modification that is not accounted for as a separate lease, the Group redetermines the lease term at the effective date of the lease modification, and remeasures the lease liability by discounting the revised lease payments using a revised discount rate, except that the contract changes directly resulting from COVID-19 are accounted for by applying the practical expedient. 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 amount of the right-of-use asset.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 22 Leases (continued)

#### *The Group as the lessor*

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

#### *Operating leases*

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

For a lease modification, the Group accounts for it as a new lease from the effective date of the modification, and considers any lease payments received in advance and receivable relating to the lease before modification as receivables of the new lease.

### 23 Appropriation of profit

Proposed appropriation of profit is recognised as a liability in the period in which it is approved by the Board of Directors/the shareholders' meeting.

### 24 Business combinations

#### *(1) Business combinations involving enterprises under common control*

The consideration paid and net assets obtained by the Group in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

#### *(2) Business combinations involving enterprises not under common control*

The cost of combination and identifiable net assets obtained by the Group in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the Group's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss for the current period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 25 Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Bank and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Bank, comes under common control of the ultimate controlling party. The portion of the profit for the year realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Bank and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Bank. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' owners' equity and the portion of subsidiaries' profit for the years and losses and comprehensive incomes for the period not attributable to the Bank are recognised as minority interests, profit for the year or loss attributable to minority interests and total comprehensive income attributable to minority interests, and presented separately in the consolidated financial statements under owners' equity, Profit for the year and total comprehensive income respectively. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is allocated against the balance of minority interests. Unrealised profits and losses resulting from the sale of assets by the Bank to its subsidiaries are fully eliminated against profit for the year attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Bank are eliminated and allocated between profit for the year attributable to owners of the parent company and profit for the year attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between profit for the year attributable to owners of the parent and profit for the year attributable to minority interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction is inconsistent in the financial statements at the Group level and at the Bank or its subsidiary level, adjustment will be made from the perspective of the Group.

### 26 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: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. Two or more operating segments that have similar economic characteristics and satisfy certain conditions can be aggregated into one single operating segment.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 27 Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (1) Critical judgements in applying the accounting policies

##### (a) Classification of financial assets

Significant judgements made by the Group in the classification of financial assets include analysis on business models and contractual cash flow characteristics.

The Group determines the business model for financial asset management at the level of different groups, 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 early repayment; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits. For example, whether the amount of prepayment only reflects the principal outstanding and the interest based on the principal outstanding, as well as the reasonable compensation due to the early termination of the contract.

##### (b) Criteria for judging significant increases in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30 days, or whether one or more of the following conditions are met: the debtor is classified into Special Mention category in five-tier loan classification, the debtor becomes involved in extension or rollover of problematic loans, or the debtor's probability of default has increased significantly since the initial recognition date and it is currently up against a lower internal rating, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 days (i.e., a default has occurred), or whether one or more of the following conditions are met: the debtor is classified into Substandard, Doubtful or Loss category in five-tier loan classification, or the debtor is classified into default category in internal rating, etc.

#### (2) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

##### (a) Measurement of ECL

The Group calculates ECL through exposure at default and ECL rates, and determines the ECL rates based on probability of default and loss given default. In determining the ECL rates, the Group uses data such as internal historical credit loss experience, etc., and adjusts historical data based on current conditions and forward-looking information. Please refer to Note XV. 2 "Credit risk".

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 27 Critical accounting estimates and judgements (continued)

#### (2) Critical accounting estimates and key assumptions (continued)

##### (b) Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of prices of recent transactions or similar financial instruments, discounted cash flow analysis and generally accepted pricing models, etc. Models for the valuation of fair value use actual market observable inputs and data, such as interest yield curves, foreign exchange rates and option volatilities. When market observable inputs are not available, the Group uses calibrated assumptions as close as possible to market observable data.. Besides, management is required to make estimates of the Group's and counterparties' exposure to credit risk, liquidity, market volatility and correlation, and changes in these assumptions may affect the fair value of financial instruments.

##### (c) Consolidation of structured entities

When acting as the asset manager or an investor of a structured entity, the Group needs to make significant judgements on whether to take control over the structured entity and include it into the consolidation scope. The Group evaluates its contractual rights and obligations under the transaction structure as well as its rights over the structured entities, and performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned and residual income retained by the Group as the asset manager, and, if any, liquidity and other support provided to the structured entities. Besides, the Group performs judgement on whether it acts as a principal or an agent in structured entity transactions, including analysis and evaluation on the scope of its decision-making rights over the structured entities, rewards for its asset management services, risks assumed for the variable returns from other interests in the structured entities, and substantial rights held by other engaged parties.

##### (d) Income taxes and deferred income taxes

The Group is subject to income taxes in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income tax in each of these jurisdictions. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

A deferred tax asset is recognised for the carryforward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgements in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment may be made to the carrying amount of deferred tax assets.



## IV Summary of significant accounting policies and accounting estimates (continued)

### 27 Critical accounting estimates and judgements (continued)

#### (2) Critical accounting estimates and key assumptions (continued)

##### (e) Derecognition of transfer of financial assets

During the ordinary course of business, the Group transfers financial assets in the form of regular transaction, asset securitisation, repurchase agreements and securities lending. Significant judgements and estimates are required from the Group when determining whether the financial assets transferred can be fully or partly derecognised.

Where the Group transfers financial assets to special purpose entities through structured transactions, it is required to analyse and evaluate whether the relationship between the Group and the special purpose entities essentially indicates a control over the special purpose entities, so as to determine the necessity of consolidation. The derecognition analysis at the level of the consolidated entity or at the level of an individual entity that transfers out financial assets depends on the judgement on whether to perform consolidation.

The Group needs to analyse its rights and obligations in contractual cash flows related to the transfer of a financial asset, and determines whether they are qualified for derecognition based on the following judgements:

- Whether the rights for receiving contractual cash flows are transferred; or whether the contractual cash flows are transferred to an independent third party in accordance with the “pass-through” requirements.
- Evaluation on the transfer extent on the risks and rewards of ownership of the financial asset. The Group applies critical accounting estimates and judgements when estimating the cash flows before and after the transfer and other factors affecting the transfer extent on the risks and rewards.
- If the Group neither transfers nor retains almost all risks and rewards of ownership of the financial asset, it will continue to analyse and evaluate whether to transfer its control over the financial asset, and whether to maintain the continuing involvement in the transferred financial asset. When evaluating whether to transfer its control over a financial asset, the Group performs analysis on whether the transferee has the essential ability to sell the asset transferred, which means whether the transferee is able to sell the asset to a non-related third party as a whole on condition that the transferee can implement this capability unilaterally without any additional restriction. If the Group has transferred the control over the financial asset, the financial asset shall be derecognised, and the relevant assets or liabilities will be recognised based on the rights and obligations incurred from the transfer of the financial asset. If the Group has not transferred the control over the financial asset, the Group will continue to recognise the relevant financial asset to the extent of its continuing involvement in the transferred asset.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IV Summary of significant accounting policies and accounting estimates (continued)

### 28 Significant changes in accounting policies

#### (1) Leases

The Group initially adopted the new lease standard on 1 January 2021. According to new lease standard, the Group chooses not to reassess the contracts that have already existed prior to the date of initial application. The Group recognised the cumulative effect of the standard as an adjustment to the opening balance of retained earnings in 2021 and relevant line items in the financial statements. The comparatives for the year ended 31 December 2020 were not restated.

#### (a) The nature and the reasons of the changes in accounting policies

	The line items affected	The amounts affected 1 January 2021 The Group
For the operating lease contracts that have already existed prior to the initial application of the new lease standard, the Group adopts different transition approaches based on the remaining lease term:	Right-of-use assets	5,380,797
	Provisions	(5,158)
	Other assets	(354,503)
	Lease liabilities	(5,021,136)
If the remaining lease term is more than 12 months, the Group recognised lease liabilities based on the remaining lease payments and the incremental borrowing rate as at 1 January 2021, assuming that the new lease standard was adopted from the beginning date of the lease term, and determined the carrying amount of the right-of-use assets based on the incremental borrowing rate as at 1 January 2021. The Group adopts the practical expedient to evaluate whether assets are impaired or not at the date of initial application. The adoption of the practical expedient has no significant impact on the financial statements since there are no onerous contracts for leases at the date of initial application.		
The Group applies the practical expedient for leases with a remaining lease term of 12 months or less, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.		
The Group applies the practical expedient for operating lease contracts of low-value assets existing prior to the initial application of the new lease standard, under which the right-of-use assets and lease liabilities are not recognised. There is no significant impact on the financial statements.		
In applying the new lease standard, except for prepaid rentals and lease deposit expenditures relating to the short-term leases and low-value asset leases which are still recorded in cash outflows from operating activities using practical expedient according to the new lease standard, other prepaid rentals and lease deposit expenditures are recorded in cash outflows from financing activities.		
For the rent concessions as a direct result of COVID-19, agreed with lessees and lessors respectively and for the period ended 30 June 2022 only, the Group has applied the practical expedient in the above circular for the preparation of the financial statements for the year ended 31 December 2021 (Note VI. 15 and Note VI. 27), and there is no significant impact on the financial statements.		

As at 1 January 2021, the Group adopted the same discount rate for lease contracts with similar characteristics to account for lease liabilities. The weighted average of incremental borrowing rates adopted was 3.75%.

## IV Summary of significant accounting policies and accounting estimates (continued)

### 28 Significant changes in accounting policies (continued)

#### (1) Leases (continued)

- (b) As at 1 January 2021, the Group reconciled the outstanding minimum operating lease payments disclosed under the old lease standard to lease liabilities under the new lease standard as follows:

	The Group
Future minimum operating lease payments disclosed as at 31 December 2020	5,866,706
Present value of the above minimum operating lease payments discounted using the incremental borrowing rate	5,051,246
Add: Finance lease payables as at 31 December 2020	–
Others (Note 1)	–
Less: Present value of payments for leases with a term of 12 months or less	(30,096)
Present value of lease payments for an individual asset (when new) of low value <sup>1</sup>	(14)
Lease liabilities recognised as at 1 January 2021	5,021,136

Note 1: The Group did not consider factors such as the extension option when disclosing outstanding minimum operating lease payments as at 31 December 2020. When determining the lease liabilities at the initial application date, the Group included lease payments for the periods covered by the extension option when it is reasonably certain to exercise that option.

#### (2) Accounting for changes in determination of contract cash flows of financial assets or financial liabilities due to the reform of benchmark interest rate

The financial statements for the current year were prepared by the Group in accordance with the accounting for changes in determination of contract cash flows of financial assets or financial liabilities due to the reform of benchmark interest rate in the *Interpretation No. 14 of Accounting Standards for Business Enterprises*. As at 31 December 2021, the reform of benchmark interest rate had no significant influence on the Group.

#### (3) Revenue

On 1 January 2021, the Group and the Bank started to adopt the revised *CAS 14 – Revenue* released by the Ministry of Finance in July 2017. The Group recognised the cumulative effect of the initial implementation of the standard to the opening balance of retained earnings in 2021 and relevant line items in the financial statements was insignificant. The comparatives for the year ended 31 December 2020 were not restated.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## V Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax (a)	25%	Taxable income
Value added tax ("VAT") (b)	6%, 9% and 13%	Taxable value added amount (Tax payable is calculated using the taxable sale amount multiplied by the applicable tax rate less deductible input VAT of the current period)
City maintenance and construction tax (c)	1%, 5% and 7%	The payment amount of VAT and consumption tax
Educational surcharge (d)	3%	The payment amount of VAT and consumption tax
Local education surcharge (d)	2%	The payment amount of VAT and consumption tax

- (a) Pursuant to the *Enterprise Income Tax Law of the People's Republic of China*, enterprise income tax for domestic operations of the Group is calculated at 25% based on the taxable income.

Enterprise income taxes for the overseas operations of the Group are paid to local authorities at the local rates. The shortfall arising from the differential in income tax rates of overseas operations and domestic operations shall be reported and paid by the PRC head office based on relevant tax law.

Pre-tax deduction items of enterprise income tax are governed by the relevant regulations of the PRC.

- (b) Revenue from loan service, direct charge of financial services, insurance service, financial product transfer of the Group is subject to VAT at the rate of 6%.

According to the *Circular on Value-added Tax Policies on Finance, Real Estate Development and Education Services* (Cai Shui [2016] No. 140), *Supplementary Notice on Issues concerning the VAT on Asset Management Products* (Cai Shui [2017] No. 2) and *Notice on Issues concerning the VAT on Asset Management Products* (Cai Shui [2017] No. 56) issued by the Ministry of Finance and the State Taxation Administration, VAT taxable activities by manager of asset management products ("AMPs") occurred in the operation of asset management products are subject to VAT levied at a rate of 3% by simple approach since 1 January 2018 (inclusive).

The Group's related interest income, fee and commission income, revenue from financial product transfer and insurance service are presented on a net basis after deducting applicable VAT.

- (c) The Group's domestic subsidiaries pay city maintenance and construction tax at 1%, 5% and 7% of the payment of VAT.
- (d) The Group's domestic subsidiaries pay educational surcharge and local education surcharge at 3% and 2% of the payment of VAT respectively.

## VI Notes to the financial statements

### 1 Cash and due from central banks

The Group and the Bank		
	31 December 2021	31 December 2020
Cash on hand	3,594,800	3,548,742
Statutory deposit reserves due from central banks (i)	167,263,834	165,527,715
Surplus deposit reserves due from central banks (ii)	160,170,618	79,938,386
Fiscal deposits due from central banks	194,961	192,427
Sub-total	331,224,213	249,207,270
Accrued interest	88,129	85,734
Total	331,312,342	249,293,004

- (i) The Group and the Bank place statutory deposit reserves at the PBOC, the Monetary Authority of Hong Kong and the Monetary Authority of Macau. Pursuant to relevant laws and regulations, the statutory deposit reserves are not available for the Group's and the Bank's daily business.

As at each balance sheet date, the statutory deposit reserve ratios were as follows:

The Group and the Bank		
	31 December 2021	31 December 2020
Reserve ratio for Renminbi deposits	8.00%	9.00%
Reserve ratio for foreign currency deposits	9.00%	5.00%
Reserve ratio for Renminbi deposits outside Mainland China	9.00%	9.00%

The amount of statutory deposit reserve funds placed with the Monetary Authority of Hong Kong and Macau by Hong Kong and Macau branch is determined by the local jurisdiction.

- (ii) The surplus deposit reserves refer to the funds placed at the PBOC for the purposes of clearing.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 2 Due from banks and other financial institutions

	The Group	
	31 December 2021	31 December 2020
Banks operating in Mainland China	10,744,149	5,448,770
Other financial institutions operating in Mainland China	1,045,596	1,019,818
Banks operating outside Mainland China	2,898,483	8,849,863
Other financial institutions operating outside Mainland China	248	256
Sub-total	14,688,476	15,318,707
Accrued interest	2,710	802
Total	14,691,186	15,319,509
Less: Provision for ECL (Note VI. 18)	(1,373)	(1)
Carrying amount	14,689,813	15,319,508

	The Bank	
	31 December 2021	31 December 2020
Banks operating in Mainland China	5,694,149	5,448,770
Other financial institutions operating in Mainland China	1,045,596	1,019,818
Banks operating outside Mainland China	2,898,483	8,849,863
Other financial institutions operating outside Mainland China	248	256
Sub-total	9,638,476	15,318,707
Accrued interest	1,237	802
Total	9,639,713	15,319,509
Less: Provision for ECL (Note VI. 18)	(1,373)	(1)
Carrying amount	9,638,340	15,319,508



## VI Notes to the financial statements (continued)

### 3 Placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2021	31 December 2020
Banks operating in Mainland China	21,830,394	15,916,658
Other financial institutions operating in Mainland China	38,279,000	81,696,739
Banks operating outside Mainland China	637,570	–
Other financial institutions operating outside Mainland China	–	204,004
Sub-total	60,746,964	97,817,401
Accrued interest	288,311	496,530
Total	61,035,275	98,313,931
Less: Provision for ECL (Note VI. 18)	(569,725)	(329,034)
Carrying amount	60,465,550	97,984,897

### 4 Derivative financial assets and derivative financial liabilities

The Group enters into derivative financial instruments related to exchange rate, interest rate and precious metal for the purpose of trading, asset and liability management and handling on behalf of customers.

The contractual/nominal amounts and fair value of the derivative financial instruments held by the Group at the balance sheet date are presented in the table below. The contractual/nominal amounts of the derivative financial instruments only work as basis for comparing the fair value of assets or liabilities recognised in the balance sheet, not for the purpose of representing the future cash flows or current fair value involved, and therefore do not reflect the credit risk or market risk assumed by the Group. With the fluctuation of the market interest rate, foreign exchange rate or precious metal price related to derivative financial instrument contract terms, the valuation of derivative financial instruments may cast favourable (for assets) or adverse (for liabilities) effects on the Group, and such effects may fluctuate heavily in different periods.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group does not offset such financial assets and financial liabilities. As at 31 December 2021 and 31 December 2020, other than derivative financial instruments, the Group had no other financial assets or financial liabilities to which netting arrangements or similar agreements apply.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 4 Derivative financial assets and derivative financial liabilities (continued)

#### (1) Analysed by type of derivative contracts

	The Group and the Bank 31 December 2021		
	Notional amounts	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
Foreign currency derivatives	415,019,785	3,510,012	(3,011,472)
Interest rate derivatives	1,876,392,000	10,982,571	(11,023,530)
Other derivatives	155,367,200	2,587,711	(2,688,900)
Total	2,446,778,985	17,080,294	(16,723,902)

	The Group and the Bank 31 December 2020		
	Notional amounts	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
Foreign currency derivatives	757,745,638	14,562,857	(14,305,996)
Interest rate derivatives	2,257,539,000	12,396,780	(12,338,858)
Other derivatives	209,340,082	1,681,506	(1,355,701)
Total	3,224,624,720	28,641,143	(28,000,555)

#### (2) Analysed by the credit risk-weighted assets of counterparty

The nominal amounts of the derivative financial instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk. The credit risk-weighted amount depends on the status of the counterparty and the maturity characteristics of the instrument. The amounts have taken into account the effects of bilateral netting arrangements.

Counterparty credit risk-weighted amounts are determined in accordance with the *Regulation Governing Capital of Commercial Banks (Provisional)*, covering default risk-weighted assets of counterparties and credit valuation adjustment risk – weighted assets.

## VI Notes to the financial statements (continued)

### 4 Derivative financial assets and derivative financial liabilities (continued)

#### (2) Analysed by the credit risk-weighted assets of counterparty (continued)

Since 1 January 2019, the Group has calculated the exposure of derivatives according to the *Circular on the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives* and the supporting rules issued by the China Banking and Insurance Regulatory Commission (the "CBIRC").

	The Group and the Bank	
	31 December 2021	31 December 2020
Default risk-weighted assets of counterparties		
Foreign currency derivatives	2,162,316	3,089,993
Interest rate derivatives	369,713	626,528
Other derivatives	5,341,732	305,990
Sub-total	7,873,761	4,022,511
Credit value adjustment risk-weighted assets	351,948	850,716
Total	8,225,709	4,873,227

### 5 Financial assets held under resale agreements

	The Group and the Bank	
	31 December 2021	31 December 2020
Bonds		
– Policy banks bonds	130,052,193	73,202,058
– Chinese government bonds	21,741,975	33,702,102
Sub-total	151,794,168	106,904,160
Notes	403,313	403,313
Accrued interest	108,046	140,499
Total	152,305,527	107,447,972
Less: Provision for ECL (Note VI. 18)	(403,313)	(403,313)
Carrying amount	151,902,214	107,044,659

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers

#### (1) Analysis by measurement

	The Group and the Bank	
	31 December 2021	31 December 2020
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	872,672,439	783,650,641
Residential mortgages loans	279,927,210	235,940,568
Credit card receivables	452,345,153	417,146,757
Other personal loans	170,678,437	161,976,897
Personal loans and advances	902,950,800	815,064,222
Sub-total	1,775,623,239	1,598,714,863
Loans and advances to customers measured at fair value through other comprehensive income		
Discount	240,883,672	198,965,469
Total	2,016,506,911	1,797,680,332
Accrued interest	5,872,571	6,301,086
Gross loans and advances to customers	2,022,379,482	1,803,981,418
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(52,623,079)	(49,408,014)
Carrying amount of loans and advances to customers	1,969,756,403	1,754,573,404
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(407,990)	(204,237)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (2) Analysed by type of collateral

	The Group and the Bank	
	31 December 2021	31 December 2020
Pledged loans	92,500,924	115,756,723
Loans secured by collateral	563,520,603	514,523,339
Guaranteed loans	553,240,904	444,687,163
Unsecured loans	807,244,480	722,713,107
Total	2,016,506,911	1,797,680,332
Accrued interest	5,872,571	6,301,086
Gross loans and advances to customers	2,022,379,482	1,803,981,418
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(52,623,079)	(49,408,014)
Carrying amount of loans and advances to customers	1,969,756,403	1,754,573,404
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(407,990)	(204,237)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (3) Analysed by industry

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Gross balance	Percentage %	Gross balance	Percentage %
Corporate loans and advances				
– Real estate	153,359,417	7.58	160,944,281	8.92
– Manufacturing	147,457,090	7.29	121,273,814	6.72
– Water, environment and public utilities management	129,286,979	6.39	125,512,645	6.96
– Leasing and commercial service	127,497,464	6.30	94,614,274	5.24
– Wholesale and retail trade	84,257,908	4.17	84,463,727	4.68
– Construction	59,764,958	2.96	58,852,792	3.26
– Transportation, logistics and postal services	52,089,218	2.58	37,025,394	2.05
– Mining	34,819,453	1.72	30,870,603	1.71
– Production and supply of electricity, heat, gas and water	25,890,737	1.28	21,863,855	1.21
– Others	58,249,215	2.88	48,229,256	2.69
Sub-total	872,672,439	43.15	783,650,641	43.44
Discount	240,883,672	11.91	198,965,469	11.03
Personal loans and advances	902,950,800	44.65	815,064,222	45.18
Total	2,016,506,911	99.71	1,797,680,332	99.65
Accrued interest	5,872,571	0.29	6,301,086	0.35
Gross loans and advances to customers	2,022,379,482	100.00	1,803,981,418	100.00
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(52,623,079)		(49,408,014)	
Carrying amount of loans and advances to customers	1,969,756,403		1,754,573,404	
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(407,990)		(204,237)	



## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (4) Analysed by geographical sector

	31 December 2021		31 December 2020	
	The Group and the Bank		The Group and the Bank	
	Gross balance	Percentage %	Gross balance	Percentage %
Head Office	518,736,132	25.66	463,134,963	25.67
Pearl River Delta	469,443,969	23.21	407,150,366	22.57
Yangtze River Delta	348,078,530	17.21	330,491,739	18.32
Central and Western	385,293,169	19.05	340,739,003	18.89
Bohai Rim	273,648,065	13.53	241,271,603	13.37
Overseas	21,307,046	1.05	14,892,658	0.83
Total	2,016,506,911	99.71	1,797,680,332	99.65
Accrued interest	5,872,571	0.29	6,301,086	0.35
Gross loans and advances to customers	2,022,379,482	100.00	1,803,981,418	100.00
Less: Provision for impairment of loans and advances to customers measured at amortised cost (Note VI. 18)	(52,623,079)		(49,408,014)	
Carrying amount of loans and advances to customers	1,969,756,403		1,754,573,404	
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income (Note VI. 18)	(407,990)		(204,237)	

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (5) Overdue loans and advances analysed by type of collateral and overdue period

The Group and the Bank					
31 December 2021					
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Pledged loans	253,756	96,693	338,364	86,498	775,311
Loans secured by collateral	3,756,610	3,464,582	978,744	230,344	8,430,280
Guaranteed loans	2,038,969	5,282,791	2,919,736	145,905	10,387,401
Unsecured loans	8,224,671	5,948,780	354,904	52,245	14,580,600
Total	14,274,006	14,792,846	4,591,748	514,992	34,173,592

The Group and the Bank					
31 December 2020					
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and one year (inclusive)	Overdue between one year and three years (inclusive)	Overdue more than three years	Total
Pledged loans	17,904	567,624	451,397	–	1,036,925
Loans secured by collateral	2,360,211	1,763,843	1,012,113	38,767	5,174,934
Guaranteed loans	1,618,738	1,332,202	1,033,079	184,267	4,168,286
Unsecured loans	7,062,165	7,848,531	530,472	109,058	15,550,226
Total	11,059,018	11,512,200	3,027,061	332,092	25,930,371

Overdue loans represent loans of which the whole or part of the principal or interest was overdue for one day or more.

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (6) Analysed by assessment on provision for impairment

	The Group and the Bank			
	31 December 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Principal of loans and advances to customers	1,925,696,566	58,169,749	32,640,596	2,016,506,911
Less: Provision for impairment of loans and advances to customers measured at amortised cost	(17,335,365)	(13,243,813)	(22,043,901)	(52,623,079)
Loans and advances to customers, net	1,908,361,201	44,925,936	10,596,695	1,963,883,832
Accrued interest	5,659,842	179,024	33,705	5,872,571
Carrying amount of loans and advances to customers	1,914,021,043	45,104,960	10,630,400	1,969,756,403
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income	(397,515)	(10,475)	–	(407,990)

	The Group and the Bank			
	31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL)	Total
Principal of loans and advances to customers	1,728,823,184	34,490,555	34,366,593	1,797,680,332
Less: Provision for impairment of loans and advances to customers measured at amortised cost	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)
Loans and advances to customers, net	1,709,217,721	28,008,749	11,045,848	1,748,272,318
Accrued interest	5,960,176	100,672	240,238	6,301,086
Carrying amount of loans and advances to customers	1,715,177,897	28,109,421	11,286,086	1,754,573,404
Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income	(198,627)	(4,929)	(681)	(204,237)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (7) Movements of provision for impairment of loans and advances to customers

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)
Increase in the current year	(10,150,072)	(10,623,609)	(27,098,794)	(47,872,475)
Reversal in the current year	10,537,819	3,762,709	10,104,551	24,405,079
Write-offs and disposals in the current year	-	-	24,279,500	24,279,500
Recovery after write-off	-	-	(4,027,169)	(4,027,169)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	1,520,788	(1,520,788)	-	-
Transfer from Stage 1 to Stage 3	838,403	-	(838,403)	-
Transfer from Stage 2 to Stage 1	(299,252)	299,252	-	-
Transfer from Stage 2 to Stage 3	-	1,359,217	(1,359,217)	-
Transfer from Stage 3 to Stage 2	-	(38,788)	38,788	-
Transfer from Stage 3 to Stage 1	(177,588)	-	177,588	-
Ending balance	(17,335,365)	(13,243,813)	(22,043,901)	(52,623,079)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (7) Movements of provision for impairment of loans and advances to customers (continued)

The Group and the Bank				
2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	(11,106,020)	(7,894,923)	(22,951,516)	(41,952,459)
Increase in the current year	(15,023,020)	(4,416,975)	(33,371,463)	(52,811,458)
Reversal in the current year	5,939,496	2,798,804	9,253,119	17,991,419
Write-offs and disposals in the current year	–	–	31,781,876	31,781,876
Recovery after write-off	–	–	(4,417,392)	(4,417,392)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	194,732	(194,732)	–	–
Transfer from Stage 1 to Stage 3	1,056,254	–	(1,056,254)	–
Transfer from Stage 2 to Stage 1	(549,279)	549,279	–	–
Transfer from Stage 2 to Stage 3	–	2,684,915	(2,684,915)	–
Transfer from Stage 3 to Stage 2	–	(8,174)	8,174	–
Transfer from Stage 3 to Stage 1	(117,626)	–	117,626	–
Ending balance	(19,605,463)	(6,481,806)	(23,320,745)	(49,408,014)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 6 Loans and advances to customers (continued)

#### (8) Movements in gross carrying amount of loans

Changes in principal of loans and advances to customer resulting in significant impact on the Bank's provision for impairment in 2021 mainly include:

In 2021, the Bank newly issued a loan principal at Stage 1 of RMB896,859 million (2020: RMB1,122,399 million), and recovered the loan principal at Stage 1 of RMB658,869 million (2020: RMB792,307 million), the loan principal at Stage 2 of RMB24,216 million (2020: RMB30,204 million) and the loan principal at Stage 3 of RMB8,988 million (2020: RMB13,096 million).

In 2021, the loan principal transferred from Stage 1 to Stage 2 was RMB54,138 million (2020: RMB15,257 million), the loan principal transferred from Stage 1 to Stage 3 was RMB31,766 million (2020: RMB21,300 million), the loan principal transferred from Stage 2 to Stage 3 was RMB3,622 million (2020: RMB5,829 million), and the loan principal transferred from Stage 2 to Stage 1 was RMB2,774 million (2020: RMB4,951 million). The loss provision was not significantly changed by the transfer of loan principal from Stage 3 to Stage 1 and Stage 2 (2020: not significant).

In 2021, the Bank wrote off the principal of non-performing loans of RMB15,097 million (2020: RMB18,122 million), resulting in a corresponding reduction of RMB15,097 million (2020: RMB18,122 million) in the Stage 3 impairment allowances. The Bank still seeks to recover the full amount of debts to which it is legally entitled.

In 2021, the Bank transferred RMB10,502 million (2020: RMB16,824 million) of non-performing loan principal through debt-for-equity swap, debt transfer, asset securitisation and other ways, resulting in a corresponding reduction of RMB9,182 million (2020: RMB13,660 million) in the Stage 3 impairment allowances.

In 2021, the modification of the contract cash flow that did not lead to the recognition of loan termination resulted in the transfer of the relevant impairment provision for loans from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, but the loan principal involved was not significant (2020: not significant).

#### (9) Fair value of collaterals

The fair value of collaterals for credit impaired loans and advances at the balance sheet date is as follows:

	The Group and the Bank	
	31 December 2021	31 December 2020
Land and buildings	4,941,713	4,119,181
Other assets	1,098,322	2,029,563
Total	6,040,035	6,148,744

The fair value of collaterals was determined and adjusted by management based on the latest available external valuations by taking into account the current experience on disposal of collaterals as well as the market situation. The collaterals include land, buildings and machines. Assets pledged as collateral include inventories, certificates of deposit, shares and deposit.



## VI Notes to the financial statements (continued)

### 7 Financial assets held for trading

The Group and the Bank		
	31 December 2021	31 December 2020
Investments at fair value through profit or loss (i)	<b>142,955,975</b>	146,654,646
Investments designated as at fair value through profit or loss	<b>–</b>	709,720
Total	<b>142,955,975</b>	147,364,366

*(i) Investments at fair value through profit or loss*

The Group and the Bank		
	31 December 2021	31 December 2020
Government bonds	<b>2,872,961</b>	3,763,064
Policy banks bonds	<b>6,781,153</b>	4,890,654
Commercial banks and other financial institutions bonds	<b>14,436,318</b>	16,907,135
Corporate bonds	<b>9,425,587</b>	7,825,482
Funds	<b>98,602,235</b>	92,432,872
Equity investments and others	<b>10,837,721</b>	20,835,439
Total	<b>142,955,975</b>	146,654,646

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 8 Debt investments

#### (1) Analysed by type of investment

	The Group and the Bank	
	31 December 2021	31 December 2020
Government bonds	240,741,644	154,637,098
Policy banks bonds	75,938,226	44,694,597
Commercial banks and other financial institutions bonds	2,028,837	24,482,333
Corporate bonds	2,384,914	2,482,569
Debt financing plan	62,080,000	51,338,682
Fund trust, asset management plans and others	25,575,579	55,372,274
Accrued interest	5,071,939	4,235,876
Total	413,821,139	337,243,429
Less: Provision for ECL (Note VI. 18)	(5,734,822)	(4,842,207)
Carrying amount	408,086,317	332,401,222

## VI Notes to the financial statements (continued)

### 8 Debt investments (continued)

#### (2) Movements in loss provisions for debt investments:

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	(333,102)	(472,821)	(4,036,284)	(4,842,207)
Increase in the current year	(546,430)	(198,250)	(1,975,654)	(2,720,334)
Reversal in the current year	129,107	51,132	1,647,480	1,827,719
Write-offs and disposals in the current year	-	-	-	-
Recovery after write-off	-	-	-	-
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	5,419	(5,419)	-	-
Transfer from Stage 1 to Stage 3	2,189	-	(2,189)	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	418,714	(418,714)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
As at 31 December 2021	(742,817)	(206,644)	(4,785,361)	(5,734,822)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 8 Debt investments (continued)

#### (2) Movements in loss provisions for debt investments (continued):

	The Group and the Bank			
	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	(281,670)	(126,957)	(4,073,922)	(4,482,549)
Increase in the current year	(212,633)	(417,158)	(3,048,489)	(3,678,280)
Reversal in the current year	135,689	96,806	2,180	234,675
Write-offs and disposals in the current year	–	–	3,083,947	3,083,947
Recovery after write-off	–	–	–	–
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	33,449	(33,449)	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	(7,937)	7,937	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
As at 31 December 2020	(333,102)	(472,821)	(4,036,284)	(4,842,207)

## VI Notes to the financial statements (continued)

### 8 Debt investments (continued)

#### (3) Movements of debt investments:

	The Group and the Bank			
	2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	326,932,948	3,739,718	6,570,763	337,243,429
Increase in the current year	161,441,738	–	–	161,441,738
Decrease in the current year	(80,819,828)	(1,875,341)	(2,168,859)	(84,864,028)
Write-offs and disposals in the current year	–	–	–	–
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(1,198,960)	1,198,960	–	–
Transfer from Stage 1 to Stage 3	(1,194,047)	–	1,194,047	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	(1,750,742)	1,750,742	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Change in accrued interest	(9,678)	(27,637)	37,315	–
As at 31 December 2021	405,152,173	1,284,958	7,384,008	413,821,139

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 8 Debt investments (continued)

#### (3) Movements of debt investments (continued):

	The Group and the Bank			
	2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	302,261,910	3,159,988	6,561,536	311,983,434
Increase in the current year	104,806,739	356,193	4,274,079	109,437,011
Decrease in the current year	(77,422,246)	(2,489,918)	(1,180,905)	(81,093,069)
Write-offs and disposals in the current year	–	–	(3,083,947)	(3,083,947)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	(2,835,520)	2,835,520	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	170,000	(170,000)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Change in accrued interest	(47,935)	47,935	–	–
As at 31 December 2020	326,932,948	3,739,718	6,570,763	337,243,429



## VI Notes to the financial statements (continued)

### 9 Other debt investments

	The Group and the Bank	
	31 December 2021	31 December 2020
Government bonds	82,782,624	129,642,170
Policy banks bonds	71,453,029	62,197,280
Commercial banks and other financial institutions bonds	42,207,525	39,388,533
Corporate bonds	10,638,680	9,273,066
Sub-total	207,081,858	240,501,049
Accrued interest	3,145,850	3,298,561
Total	210,227,708	243,799,610
Including:		
– Amortised cost	206,218,725	242,678,947
– Accumulated changes in fair value	4,008,983	1,120,663

#### (1) Movements in loss provisions for other debt investments:

	The Group and the Bank			
	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	(14,428)	–	(62,480)	(76,908)
Increase in the current year	(62,475)	–	(100,132)	(162,607)
Reversal in the current year	8,431	–	–	8,431
Write-offs and disposals in the current year	–	–	62,625	62,625
Recovery after write-off	–	–	–	–
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	13	–	(13)	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
As at 31 December 2021	(68,459)	–	(100,000)	(168,459)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 9 Other debt investments (continued)

#### (1) Movements in loss provisions for other debt investments (continued):

	The Group and the Bank			
	2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	(9,890)	–	(66,801)	(76,691)
Increase in the current year	(8,770)	–	–	(8,770)
Reversal in the current year	4,016	–	–	4,016
Write-offs and disposals in the current year	–	–	–	–
Recovery after write-off	–	–	–	–
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
Others	216	–	4,321	4,537
As at 31 December 2020	(14,428)	–	(62,480)	(76,908)

## VI Notes to the financial statements (continued)

### 9 Other debt investments (continued)

#### (2) Movements of other debt investments:

	The Group and the Bank			
	2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	243,737,130	–	62,480	243,799,610
Increase in the current year	66,956,201	–	–	66,956,201
Decrease in the current year	(100,465,478)	–	–	(100,465,478)
Write-off in the current year	–	–	(62,625)	(62,625)
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	(45,838)	–	45,838	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
As at 31 December 2021	210,182,015	–	45,693	210,227,708

	The Group and the Bank			
	2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	192,080,796	–	66,801	192,147,597
Increase in the current year	104,154,907	–	–	104,154,907
Decrease in the current year	(52,498,573)	–	(4,321)	(52,502,894)
Write-off in the current year	–	–	–	–
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–
Transfer from Stage 2 to Stage 1	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–
Transfer from Stage 3 to Stage 1	–	–	–	–
As at 31 December 2020	243,737,130	–	62,480	243,799,610

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 10 Other equity investments

	The Group and the Bank	
	31 December 2021	31 December 2020
Investments in equity instrument not held for trading		
Equity of unlisted companies	<b>1,322,918</b>	1,389,417
Equity of listed companies	<b>791,384</b>	799,991
Sub-total	<b>2,114,302</b>	2,189,408
Cost of equity instruments	<b>2,325,003</b>	2,420,711
Fair value changes charged to other comprehensive income	<b>(210,701)</b>	(231,303)
Fair value	<b>2,114,302</b>	2,189,408

Other equity investments mainly comprise the assets acquired by the Group and the Bank from disposal of assets corresponding to collaterals or other credit enhancements.

### 11 Long-term equity investments

	The Bank	
	2021	2020
Opening balance	–	5,056
Increase/(Disposals) in the current year (Note VIII)	<b>5,000,000</b>	(5,056)
Ending balance	<b>5,000,000</b>	–

## VI Notes to the financial statements (continued)

### 12 Fixed assets

	The Group			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Increase in the current year	14,585	536,906	96,323	647,814
Transfers from construction in progress	184,972	–	–	184,972
Decrease in the current year	(30,774)	(612,097)	(93,879)	(736,750)
31 December 2021	12,278,534	4,568,144	1,079,402	17,926,080
Accumulated depreciation				
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Increase in the current year	(391,816)	(378,650)	(79,878)	(850,344)
Decrease in the current year	30,137	576,242	85,015	691,394
31 December 2021	(3,981,808)	(3,257,495)	(821,503)	(8,060,806)
Provision for impairment				
31 December 2020	(228,508)	–	–	(228,508)
Decrease in the current year	234	–	–	234
31 December 2021	(228,274)	–	–	(228,274)
Net book value				
31 December 2021	8,068,452	1,310,649	257,899	9,637,000
31 December 2020	8,261,114	1,188,248	250,318	9,699,680

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 12 Fixed assets (continued)

	The Group			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2019	11,329,080	4,732,916	1,064,800	17,126,796
Increase in the current year	106,367	519,753	86,530	712,650
Transfers from construction in progress	517,167	–	–	517,167
Transfer from repossessed assets	195,241	–	–	195,241
Decrease in the current year	(38,104)	(609,334)	(74,372)	(721,810)
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Accumulated depreciation				
31 December 2019	(3,270,198)	(3,684,892)	(811,169)	(7,766,259)
Increase in the current year	(376,660)	(350,506)	(83,926)	(811,092)
Decrease in the current year	26,729	580,311	68,455	675,495
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Provision for impairment				
31 December 2019	(232,899)	–	–	(232,899)
Decrease in the current year	4,391	–	–	4,391
31 December 2020	(228,508)	–	–	(228,508)
Net book value				
31 December 2020	8,261,114	1,188,248	250,318	9,699,680
31 December 2019	7,825,983	1,048,024	253,631	9,127,638



## VI Notes to the financial statements (continued)

### 12 Fixed assets (continued)

	The Bank			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Increase in the current year	14,585	523,592	96,323	634,500
Transfers from construction in progress	184,972	–	–	184,972
Decrease in the current year	(30,774)	(612,097)	(93,879)	(736,750)
31 December 2021	12,278,534	4,554,830	1,079,402	17,912,766
Accumulated depreciation				
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Increase in the current year	(391,816)	(377,057)	(79,878)	(848,751)
Decrease in the current year	30,137	576,242	85,015	691,394
31 December 2021	(3,981,808)	(3,255,902)	(821,503)	(8,059,213)
Provision for impairment				
31 December 2020	(228,508)	–	–	(228,508)
Decrease in the current year	234	–	–	234
31 December 2021	(228,274)	–	–	(228,274)
Net book value				
31 December 2021	8,068,452	1,298,928	257,899	9,625,279
31 December 2020	8,261,114	1,188,248	250,318	9,699,680

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 12 Fixed assets (continued)

	The Bank			
	Buildings	Computers and electronic equipment	Motor vehicles and other equipment	Total
Cost				
31 December 2019	11,329,080	4,732,916	1,064,800	17,126,796
Increase in the current year	106,367	519,753	86,530	712,650
Transfers from construction in progress	517,167	–	–	517,167
Transfer from repossessed assets	195,241	–	–	195,241
Decrease in the current year	(38,104)	(609,334)	(74,372)	(721,810)
31 December 2020	12,109,751	4,643,335	1,076,958	17,830,044
Accumulated depreciation				
31 December 2019	(3,270,198)	(3,684,892)	(811,169)	(7,766,259)
Increase in the current year	(376,660)	(350,506)	(83,926)	(811,092)
Decrease in the current year	26,729	580,311	68,455	675,495
31 December 2020	(3,620,129)	(3,455,087)	(826,640)	(7,901,856)
Provision for impairment				
31 December 2019	(232,899)	–	–	(232,899)
Decrease in the current year	4,391	–	–	4,391
31 December 2020	(228,508)	–	–	(228,508)
Net book value				
31 December 2020	8,261,114	1,188,248	250,318	9,699,680
31 December 2019	7,825,983	1,048,024	253,631	9,127,638

- (i) As at 31 December 2021, the Group and the Bank had not fully completed ownership changing procedures for buildings with a carrying amount of RMB170 million (31 December 2020: RMB180 million). Management of the Group and the Bank expects that the outstanding ownership changing procedures will not affect the Group's right to inherit such assets or adversely affect the operation of the Group and the Bank.
- (ii) The Group and the Bank assessed the recoverable amount of certain properties and buildings and construction in progress that are considered to be impaired. Based on the assessment, no provision for impairment has been made for such assets in 2021 (2020: the same). The estimated recoverable amount of an asset is the higher of the fair value of the recent transaction price of similar assets within the same area less costs to sell and the present value of the future cash flows expected to be derived from it.

## VI Notes to the financial statements (continued)

### 13 Construction in progress

	The Group and the Bank	
	2021	2020
Opening balance	881,735	1,103,519
Increase in the current year	663,209	295,383
Transfer to fixed assets	(184,972)	(517,167)
Carrying amount at the end of the year	1,359,972	881,735

### 14 Intangible assets

	The Group and the Bank			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2020	2,772,574	6,225,301	8,148	9,006,023
Increase in the current year	272,577	1,570,722	–	1,843,299
Decrease in the current year	–	(23,965)	(6,650)	(30,615)
31 December 2021	3,045,151	7,772,058	1,498	10,818,707
Accumulated amortisation				
31 December 2020	(325,819)	(4,074,494)	(8,148)	(4,408,461)
Increase in the current year	(89,828)	(921,587)	–	(1,011,415)
Decrease in the current year	–	23,887	6,650	30,537
31 December 2021	(415,647)	(4,972,194)	(1,498)	(5,389,339)
Net book value				
31 December 2021	2,629,504	2,799,864	–	5,429,368
31 December 2020	2,446,755	2,150,807	–	4,597,562

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 14 Intangible assets (continued)

	The Group and the Bank			
	Land use rights	Computer software	Other intangible assets	Total
Cost				
31 December 2019	2,772,574	5,133,968	8,259	7,914,801
Increase in the current year	–	1,096,403	–	1,096,403
Decrease in the current year	–	(5,070)	(111)	(5,181)
31 December 2020	2,772,574	6,225,301	8,148	9,006,023
Accumulated amortisation				
31 December 2019	(259,148)	(3,358,686)	(8,189)	(3,626,023)
Increase in the current year	(66,671)	(720,856)	(70)	(787,597)
Decrease in the current year	–	5,048	111	5,159
31 December 2020	(325,819)	(4,074,494)	(8,148)	(4,408,461)
Net book value				
31 December 2020	2,446,755	2,150,807	–	4,597,562
31 December 2019	2,513,426	1,775,282	70	4,288,778

As at 31 December 2021, the Group and the Bank had no land use rights that were subject to uncompleted ownership changing procedures (2020: Nil).

## VI Notes to the financial statements (continued)

### 15 Right-of-use assets

	The Group		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies (Note IV. 28(1))	5,368,493	12,304	5,380,797
1 January 2021	5,368,493	12,304	5,380,797
Increase in the current year	1,671,817	8,968	1,680,785
Decrease in the current year	(140,716)	–	(140,716)
31 December 2021	6,899,594	21,272	6,920,866
Accumulated depreciation			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies (Note IV. 28(1))	–	–	–
1 January 2021	–	–	–
Increase in the current year	(1,585,207)	(6,528)	(1,591,735)
Decrease in the current year	17,600	–	17,600
31 December 2021	(1,567,607)	(6,528)	(1,574,135)
Carrying amount			
31 December 2021	5,331,987	14,744	5,346,731
31 December 2020	Not applicable	Not applicable	Not applicable

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 15 Right-of-use assets (continued)

	The Bank		
	Buildings	Machinery and equipment and motor vehicles	Total
Cost			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies (Note IV. 28(1))	5,368,493	12,304	5,380,797
1 January 2021	5,368,493	12,304	5,380,797
Increase in the current year	1,616,206	8,968	1,625,174
Decrease in the current year	(140,716)	–	(140,716)
31 December 2021	6,843,983	21,272	6,865,255
Accumulated depreciation			
31 December 2020	Not applicable	Not applicable	Not applicable
Changes in accounting policies (Note IV. 28(1))	–	–	–
1 January 2021	–	–	–
Increase in the current year	(1,583,882)	(6,528)	(1,590,410)
Decrease in the current year	17,600	–	17,600
31 December 2021	(1,566,282)	(6,528)	(1,572,810)
Carrying amount			
31 December 2021	5,277,701	14,744	5,292,445
31 December 2020	Not applicable	Not applicable	Not applicable



## VI Notes to the financial statements (continued)

### 16 Deferred tax assets and liabilities

The net balances of deferred tax assets and liabilities after offsetting are as follows:

	The Group and the Bank	
	2021	2020
Opening balance	15,359,752	14,036,193
Deferred taxes recognised in the income statement for the current year (Note VI.48)	(870,715)	710,698
Deferred taxes recognised in other comprehensive income (Note VI. 33)	(836,492)	612,861
Ending balance	13,652,545	15,359,752

Deferred tax assets and liabilities before offsetting of certain debit and credit balances are set out as follows:

#### (a) Deferred tax assets

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Provision for asset impairment	13,763,414	55,053,656	15,172,563	60,690,252
Provisions	821,170	3,284,679	710,343	2,841,373
Deferred interest income of discounted notes	593,662	2,374,648	606,814	2,427,256
Accrued payroll	685,059	2,740,236	241,162	964,648
Lease liabilities	1,789	7,156	Not applicable	Not applicable
Others	107,470	429,880	–	–
<u>Total</u>	<u>15,972,564</u>	<u>63,890,255</u>	<u>16,730,882</u>	<u>66,923,529</u>

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 16 Deferred tax assets and liabilities (continued)

(b) *Deductible temporary differences that are not recognised as deferred tax assets are analysed as follows:*

The Group and the Bank		
	31 December 2021	31 December 2020
Deductible temporary differences	2,644,255	4,409,481

(c) *Deferred tax liabilities*

The Group and the Bank				
	31 December 2021		31 December 2020	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Changes in fair value	(2,039,834)	(8,159,336)	(1,309,640)	(5,238,560)
Others	(280,185)	(1,120,740)	(61,490)	(245,960)
Total	(2,320,019)	(9,280,076)	(1,371,130)	(5,484,520)

(d) *The net balances of deferred tax assets and liabilities after offsetting are as follows:*

The Group and the Bank		
	31 December 2021	31 December 2020
Deferred tax assets, net	13,652,545	15,359,752

## VI Notes to the financial statements (continued)

### 17 Other assets

	The Group	
	31 December 2021	31 December 2020
Suspense account for clearing	10,641,618	6,983,285
Long-term prepaid expenses	1,059,202	1,066,237
Reposessed assets (i)	801,694	835,619
Continuing involvement in assets (ii)	734,668	734,668
Advances and temporary payments	699,143	533,902
Interest receivable (iii)	384,177	277,589
Prepayment for purchase of long-term assets	316,876	459,932
Prepaid rentals	41,965	416,845
Advanced investment (iv)	—	5,000,000
Others	678,093	904,464
Total	15,357,436	17,212,541
Less: Provision for impairment (Note VI. 18)	(494,905)	(524,133)
Carrying amount	14,862,531	16,688,408

	The Bank	
	31 December 2021	31 December 2020
Suspense account for clearing	10,641,618	6,983,285
Long-term prepaid expenses	1,050,006	1,066,237
Reposessed assets (i)	801,694	835,619
Continuing involvement in assets (ii)	734,668	734,668
Advances and temporary payments	699,143	533,902
Interest receivable (iii)	384,177	277,589
Prepayment for purchase of long-term assets	297,468	459,932
Prepaid rentals	41,965	416,845
Advanced investment (iv)	—	5,000,000
Others	673,880	904,464
Total	15,324,619	17,212,541
Less: Provision for impairment (Note VI. 18)	(494,905)	(524,133)
Carrying amount	14,829,714	16,688,408

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 17 Other assets (continued)

#### (i) Repossessed assets

*Analysed by type*

	The Group and the Bank	
	31 December 2021	31 December 2020
Buildings	717,104	751,029
Land use rights	84,590	84,590
Total original value of repossessed assets	801,694	835,619
Less: Provision for impairment of repossessed assets	(191,737)	(192,765)
Carrying amount	609,957	642,854

Repossessed assets comprise the assets acquired by the Group and the Bank from disposal of assets corresponding to collaterals or other credit enhancements.

In 2021, the Group and the Bank did not convert any repossessed assets to fixed assets for own use (2020: the Group and the Bank converted the repossessed assets with an original value of RMB296 million and a net value of RMB195 million into fixed assets for own use).

In 2021, the Bank disposed of repossessed assets with an original value of RMB42 million (2020: RMB143 million).

The Group and the Bank plans to dispose of the repossessed assets as at 31 December 2021 through public disposal methods such as auction and bidding in the future.

#### (ii) Continuing involvement in assets

As at 31 December 2021 and 31 December 2020, the Group and the Bank continued to recognise assets of RMB735 million. Meanwhile, the Group and the Bank recognised continuing involvement in assets and liabilities in the same amounts as a result of this matter.

(iii) Interest receivable only represents the interest that is receivable since the relevant financial instruments are due but remains unreceived at the balance sheet date.

#### (iv) Advanced investment

On 28 June 2018, the Board of Directors of the Bank approved the Proposal on the Establishment of Asset Management Subsidiaries of the China Guangfa Bank and agreed to invest RMB5 billion to establish a wholly-owned financial subsidiary, which was approved by the CBIRC on 13 July 2020. On 1 December 2021, GuangYin Wealth Management Co., Ltd. was incorporated (Note VIII), with the advanced investment being transferred as the Bank's investments in this subsidiary.

## VI Notes to the financial statements (continued)

### 18 Provision for asset impairment

	The Group and the Bank					
	1 January 2021	Increase in the current year	Reversal in the current year	Write- offs and disposals in the current year	Recovery after write- off in the current year	31 December 2021
Due from banks and other financial institutions	(1)	(1,372)	-	-	-	(1,373)
Placements with banks and other financial institutions	(329,034)	(356,988)	116,297	-	-	(569,725)
Financial assets held under resale agreements	(403,313)	-	-	-	-	(403,313)
Loans and advances to customers						
- Loans and advances to customers measured at amortised cost	(49,408,014)	(47,872,475)	24,405,079	24,279,500	(4,027,169)	(52,623,079)
- Loans and advances to customers measured at fair value through other comprehensive income	(204,237)	(407,990)	204,237	-	-	(407,990)
Financial investment						
- Debt investments	(4,842,207)	(2,720,334)	1,827,719	-	-	(5,734,822)
- Other debt investments	(76,908)	(162,607)	8,431	62,625	-	(168,459)
Loan commitments and financial guarantee contracts	(2,382,582)	(2,729,911)	2,280,453	-	-	(2,832,040)
Fixed assets	(228,508)	-	-	234	-	(228,274)
Other assets	(524,133)	(122,127)	46,563	133,442	(28,650)	(494,905)
Total	(58,398,937)	(54,373,804)	28,888,779	24,475,801	(4,055,819)	(63,463,980)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 18 Provision for asset impairment (continued)

	The Group and the Bank						31 December 2020
	1 January 2020	Increase in the current year	Reversal in the current year	Write- offs and disposals in the current year	Recovery after write-off in the current year	Others	
Due from banks and other financial institutions	(494)	–	462	–	–	31	(1)
Placements with banks and other financial institutions	(380,248)	(116,658)	167,686	–	–	186	(329,034)
Financial assets held under resale agreements	(403,339)	–	26	–	–	–	(403,313)
Loans and advances to customers							
– Loans and advances to customers measured at amortised cost	(41,952,459)	(52,811,458)	17,991,419	31,781,876	(4,417,392)	–	(49,408,014)
– Loans and advances to customers measured at fair value through other comprehensive income	(188,069)	(204,237)	188,069	–	–	–	(204,237)
Financial investment							
– Debt investments	(4,482,549)	(3,678,280)	234,675	3,083,947	–	–	(4,842,207)
– Other debt investments	(76,691)	(8,770)	4,016	–	–	4,537	(76,908)
Loan commitments and financial guarantee contracts	(1,369,370)	(2,337,866)	1,324,654	–	–	–	(2,382,582)
Fixed assets	(232,899)	–	–	4,391	–	–	(228,508)
Other assets	(1,062,528)	(141,353)	466,963	212,785	–	–	(524,133)
Total	(50,148,646)	(59,298,622)	20,377,970	35,082,999	(4,417,392)	4,754	(58,398,937)

## VI Notes to the financial statements (continued)

### 19 Due to banks and other financial institutions

The Group		
	31 December 2021	31 December 2020
Banks operating in Mainland China	89,308,239	136,176,706
Other financial institutions operating in Mainland China	429,742,341	321,689,744
Banks operating outside Mainland China	2,436,740	4,922,250
Accrued interest	2,654,906	2,129,882
Total	524,142,226	464,918,582

The Bank		
	31 December 2021	31 December 2020
Banks operating in Mainland China	89,336,627	136,176,706
Other financial institutions operating in Mainland China	429,742,341	321,689,744
Banks operating outside Mainland China	2,436,740	4,922,250
Accrued interest	2,655,598	2,129,882
Total	524,171,306	464,918,582

### 20 Placements from banks and other financial institutions

The Group and the Bank		
	31 December 2021	31 December 2020
Banks operating in Mainland China	61,524,994	16,658,253
Banks operating outside Mainland China	1,182,083	–
Accrued interest	110,307	8,305
Total	62,817,384	16,666,558



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 21 Financial liabilities held for trading

	The Group and the Bank	
	31 December 2021	31 December 2020
Precious metal contracts	–	15,304,567
Others	14,566	676,230
Total	14,566	15,980,797

### 22 Financial assets sold under repurchase agreements

	The Group and the Bank	
	31 December 2021	31 December 2020
Bonds		
– Chinese government bonds	35,126,469	12,829,769
– Commercial banks and other financial institutions bonds	20,872,531	56,815,731
Sub-total	55,999,000	69,645,500
Notes	14,053,245	15,471,005
Accrued interest	12,624	7,830
Total	70,064,869	85,124,335

## VI Notes to the financial statements (continued)

### 23 Customer deposits

	The Group and the Bank	
	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	710,316,250	628,243,509
– Personal customers	120,191,676	112,987,577
Time Deposits (including notice deposits)		
– Corporate customers	768,585,308	697,230,884
– Personal customers	315,148,107	259,525,948
Pledged deposits	151,226,933	131,530,581
Others	1,630,832	1,888,094
Sub-total	2,067,099,106	1,831,406,593
Accrued interest	27,674,099	21,148,871
Total	2,094,773,205	1,852,555,464

The deposits above include:

	The Group and the Bank	
	31 December 2021	31 December 2020
(1) Pledged deposits		
Pledged deposits on bank acceptance notes	118,683,526	113,412,276
Pledged deposits for letters of guarantee	2,690,763	2,241,137
Pledged deposits for letters of credit	13,804,405	8,393,640
Other pledged deposits	16,048,239	7,483,528
Total	151,226,933	131,530,581
(2) Outward and inward remittance	381,322	543,475

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 24 Employee benefits payable

The Group		
	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	8,089,026	6,357,397
Defined contribution plans payable (b)	654,859	535,430
Termination benefits payable (c)	—	—
Total	8,743,885	6,892,827

The Bank		
	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	8,059,755	6,357,397
Defined contribution plans payable (b)	654,859	535,430
Termination benefits payable (c)	—	—
Total	8,714,614	6,892,827

#### (a) Short-term employee benefits

The Group				
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,679,066	12,037,923	(10,364,385)	7,352,604
Staff welfare	1,261	500,471	(459,892)	41,840
Social security contributions				
Including: Medical insurance	13,211	488,951	(495,083)	7,079
Work injury insurance	12	11,954	(11,574)	392
Maternity insurance	2,081	11,705	(12,913)	873
Housing funds	13,578	787,065	(791,157)	9,486
Labour union funds and employee education funds	91,112	317,736	(330,603)	78,245
Other short-term employee benefits	557,076	1,198,516	(1,157,085)	598,507
Total	6,357,397	15,354,321	(13,622,692)	8,089,026

## VI Notes to the financial statements (continued)

### 24 Employee benefits payable (continued)

#### (a) Short-term employee benefits (continued)

	The Group			
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	5,031,450	9,910,075	(9,262,459)	5,679,066
Staff welfare	1,294	429,937	(429,970)	1,261
Social security contributions				
Including: Medical insurance	8,081	382,112	(376,982)	13,211
Work injury insurance	599	1,293	(1,880)	12
Maternity insurance	1,170	24,122	(23,211)	2,081
Housing funds	11,338	694,823	(692,583)	13,578
Labour union funds and employee education funds	74,721	269,421	(253,030)	91,112
Other short-term employee benefits	35,654	1,353,442	(832,020)	557,076
Total	5,164,307	13,065,225	(11,872,135)	6,357,397

	The Bank			
	31 December 2020	Increase in the current year	Decrease in the current year	31 December 2021
Wages and salaries, bonus, allowances and subsidies	5,679,066	12,004,828	(10,360,561)	7,323,333
Staff welfare	1,261	500,435	(459,856)	41,840
Social security contributions				
Including: Medical insurance	13,211	488,598	(494,730)	7,079
Work injury insurance	12	11,949	(11,569)	392
Maternity insurance	2,081	11,705	(12,913)	873
Housing funds	13,578	786,664	(790,756)	9,486
Labour union funds and employee education funds	91,112	317,736	(330,603)	78,245
Other short-term employee benefits	557,076	1,198,516	(1,157,085)	598,507
Total	6,357,397	15,320,431	(13,618,073)	8,059,755

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 24 Employee benefits payable (continued)

#### (a) Short-term employee benefits (continued)

	The Bank			
	31 December 2019	Increase in the current year	Decrease in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	5,031,450	9,910,075	(9,262,459)	5,679,066
Staff welfare	1,294	429,937	(429,970)	1,261
Social security contributions				
Including: Medical insurance	8,081	382,112	(376,982)	13,211
Work injury insurance	599	1,293	(1,880)	12
Maternity insurance	1,170	24,122	(23,211)	2,081
Housing funds	11,338	694,823	(692,583)	13,578
Labour union funds and employee education funds	74,721	269,421	(253,030)	91,112
Other short-term employee benefits	35,654	1,353,442	(832,020)	557,076
Total	5,164,307	13,065,225	(11,872,135)	6,357,397

#### (b) Defined contribution plans

	The Group			
	2021			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	13,346	922,222	(920,366)	15,202
Unemployment insurance	304	29,359	(29,203)	460
Enterprise annuity	521,780	467,017	(349,600)	639,197
Total	535,430	1,418,598	(1,299,169)	654,859

## VI Notes to the financial statements (continued)

### 24 Employee benefits payable (continued)

#### (b) Defined contribution plans (continued)

	The Bank			
	2021			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	13,346	921,684	(919,828)	15,202
Unemployment insurance	304	29,342	(29,186)	460
Enterprise annuity	521,780	466,722	(349,305)	639,197
Total	535,430	1,417,748	(1,298,319)	654,859

	The Group and the Bank			
	2020			
	Opening balance	Increase in the current year	Payment for the current year	Ending balance
Basic pensions	20,296	145,574	(152,524)	13,346
Unemployment insurance	1,305	5,891	(6,892)	304
Enterprise annuity	260,089	587,067	(325,376)	521,780
Total	281,690	738,532	(484,792)	535,430

#### (c) Termination benefits payable

	The Group and the Bank	
	2021	2020
Opening balance	—	—
Increase in the current year	5,841	24,169
Payment for the current year	(5,841)	(24,169)
Ending balance	—	—

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 25 Taxes payable

	The Group	
	31 December 2021	31 December 2020
Enterprise income tax payable	2,938,925	5,155,763
VAT payable	1,660,946	1,474,720
City maintenance and construction tax payable	124,850	120,488
Educational surcharge payable	89,131	86,706
Others	132,310	185,695
Total	4,946,162	7,023,372

	The Bank	
	31 December 2021	31 December 2020
Enterprise income tax payable	2,915,237	5,155,763
VAT payable	1,660,432	1,474,720
City maintenance and construction tax payable	124,814	120,488
Educational surcharge payable	89,106	86,706
Others	132,310	185,695
Total	4,921,899	7,023,372

### 26 Provisions

	The Group	
	31 December 2021	31 December 2020
Loan commitments and financial guarantee contracts (i)	2,832,040	2,382,582
Estimated losses of cases and litigations (ii)	452,639	458,791
Others	17,507	–
Total	3,302,186	2,841,373

	The Bank	
	31 December 2021	31 December 2020
Loan commitments and financial guarantee contracts (i)	2,832,040	2,382,582
Estimated losses of cases and litigations (ii)	452,639	458,791
Others	15,874	–
Total	3,300,553	2,841,373



## VI Notes to the financial statements (continued)

### 26 Provisions (continued)

- (i) Movements in provision for expected credit impairment of loan commitments and financial guarantees contracts:

The Group and the Bank				
2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2021	(1,457,305)	(202,872)	(722,405)	(2,382,582)
Increase in the current year	(2,030,251)	(337,935)	(361,725)	(2,729,911)
Reversal in the current year	1,367,886	192,619	719,948	2,280,453
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	21,882	(21,882)	-	-
Transfer from Stage 1 to Stage 3	895	-	(895)	-
Transfer from Stage 2 to Stage 1	(10,285)	10,285	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2021	(2,107,177)	(359,787)	(365,076)	(2,832,040)

The Group and the Bank				
2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
1 January 2020	(618,286)	(346,386)	(404,698)	(1,369,370)
Increase in the current year	(1,414,041)	(202,383)	(721,442)	(2,337,866)
Reversal in the current year	651,995	268,851	403,808	1,324,654
Transfer in the current year:				
Transfer from Stage 1 to Stage 2	40	(40)	-	-
Transfer from Stage 1 to Stage 3	73	-	(73)	-
Transfer from Stage 2 to Stage 1	(77,086)	77,086	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
31 December 2020	(1,457,305)	(202,872)	(722,405)	(2,382,582)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 26 Provisions (continued)

(ii) Movements in estimated losses for litigation are as follows:

	The Group and the Bank	
	2021	2020
Opening balance	458,791	760,397
Increase in the current year	22,625	26,628
Reversal in/Transfer out in the current year	(21,619)	(135,050)
Payment for the current year	(7,158)	(193,184)
Ending balance	452,639	458,791

As at 31 December 2021, the Group and the Bank were the defendants or the third parties in certain pending litigations, with gross claims of RMB12,536 million (31 December 2020: RMB12,546 million). Based on the opinions of internal or external lawyers of the Group and the Bank, provision has been made for the estimated losses of these litigations and disputes. Management of the Group and the Bank are of the view that the provision made is reasonable and adequate.

### 27 Lease liabilities

	The Group	
	31 December 2021	31 December 2020
Lease liabilities	5,194,078	Not applicable

	The Bank	
	31 December 2021	31 December 2020
Lease liabilities	5,141,061	Not applicable

## VI Notes to the financial statements (continued)

### 28 Bonds issued

		The Group and the Bank	
		31 December 2021	31 December 2020
Subordinated bonds	(i)	4,491,890	4,490,784
Tier two capital bonds	(ii)	33,499,482	33,499,438
Financial bonds	(iii)	30,000,000	29,996,474
Interbank negotiable certificates of deposit	(iv)	214,408,156	152,950,928
Accrued interest		349,606	979,075
Total		282,749,134	221,916,699

- (i) The Bank issued 15-year subordinated fixed interest rate bonds with a face value of RMB4.5 billion on 28 December 2012. The coupon interest rate is 5.60% per annum. The Bank has an option to redeem the bonds at the end of the tenth year. If the Bank does not exercise the option of redemption, the coupon interest rate of the bonds will remain unchanged from the eleventh year for the next five years till maturity.
- (ii) The Bank issued 10-year tier two capital fixed interest rate bonds with a face value of RMB30 billion on 30 October 2020. The coupon interest rate is 4.26% per annum. The Bank has an option to redeem the bonds at the end of the fifth year. If the Bank does not exercise the option of redemption, the coupon interest rate of the bonds will remain unchanged from the sixth year for the next five years till maturity. The Bank issued 15-year tier two capital fixed interest rate bonds with a face value of RMB3.5 billion on 30 October 2020. The coupon interest rate is 4.51% per annum. The Bank has an option to redeem the bonds at the end of the tenth year. If the Bank does not exercise the option of redemption, the coupon interest rate of the bonds will remain unchanged from the eleventh year for the next five years till maturity.
- (iii) The Bank issued 3-year fixed interest rate financial bonds with a face value of RMB30 billion on 12 November 2021. The coupon interest rate is 3.03% per annum.
- (iv) As at 31 December 2021, the Bank held 171 (31 December 2020: 127) outstanding interbank negotiable certificates of deposit, with a total face value of RMB216.904 billion (31 December 2020: RMB154.760 billion) and periods of 3 months to 12 months (31 December 2020: 3 to 12 months), and 169 (31 December 2020: 127) of them were under zero-coupon. The principal shall be paid in lump sum upon maturity.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 29 Other liabilities

	The Group	
	31 December 2021	31 December 2020
Temporary share subscriptions (i)	8,403,818	–
Contract liabilities (ii)	8,323,964	Not applicable
Suspense account for clearing	2,029,582	1,762,306
Accrued expenses	1,895,916	1,906,318
Continuing involvement in liabilities (Note VI. 17(ii))	734,668	734,668
Payables for purchase of long-term assets	240,286	252,868
Payables arising from the transferred credit assets	231,516	69,422
Deferred income	216,952	8,730,837
Long-suspended outstanding payments	191,832	108,075
Payables for fund subscription	159,748	184,894
Others	1,933,699	1,030,444
Total	24,361,981	14,779,832

	The Bank	
	31 December 2021	31 December 2020
Temporary share subscriptions (i)	8,403,818	–
Contract liabilities	8,323,964	Not applicable
Suspense account for clearing	2,029,582	1,762,306
Accrued expenses	1,894,839	1,906,318
Continuing involvement in liabilities (Note VI. 17(ii))	734,668	734,668
Payables for purchase of long-term assets	240,286	252,868
Payables arising from the transferred credit assets	231,516	69,422
Deferred income	216,952	8,730,837
Long- suspended outstanding payments	191,832	108,075
Payables for fund subscription	159,748	184,894
Others	1,934,646	1,030,444
Total	24,361,851	14,779,832

(i) In 2021, the Bank's proposed private placement of shares was no more than 2,102,664 thousand. As at 31 December 2021, the Bank received a total payment of RMB8,403,818,000 for the shares of shareholders including China Life Insurance Company Ltd. As at 31 December 2021, the Bank had neither filed an application for change of registered capital with relevant banking regulator nor went through procedures for change of share capital with relevant industrial and commercial administration.

(ii) On 1 January 2021, the Group and the Bank started to adopt the revised CAS 14 – Revenue released by the Ministry of Finance in July 2017, the obligation of the Group and the Bank to transfer goods or services to customers according to consideration received should be presented as other liabilities – contract liability and such obligation was presented as deferred income as at 31 December 2020.

## VI Notes to the financial statements (continued)

### 30 Share capital

	The Bank	
	31 December 2021	31 December 2020
Ordinary shares (Unit: 1,000 shares)	19,687,196	19,687,196
Ordinary share capital	19,687,196	19,687,196

The registered currency of the Bank's paid-in capital is RMB. As at 31 December 2021 and 31 December 2020, the Bank's total share capital is 19,687,196 thousand shares, with par value per share of RMB1.

### 31 Other equity instruments

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Quantity (million shares)	Carrying amount	Quantity (million shares)	Carrying amount
Perpetual bonds (i)				
– Undated capital bonds	4.50	44,991,071	4.50	44,991,071

- (i) With the approvals by relevant regulatory authorities, the Bank issued RMB45 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 September 2019, and completed the issuance on 27 September 2019. The denomination of the Bonds is RMB100 each, and the annual coupon interest rate of the Bonds for the first five years is 4.5%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date (including the interest payment date in the 5th year after the issuance date) of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors that rank in priority to the claims of the Bonds; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at their discretion utilise the proceeds from the cancelled distribution to meet other obligations of maturing debts. Except for the restrictions on the distribution on ordinary shares, the cancellation of distributions on the Bond in whole or in part shall not constitute any other restrictions on the Bank.

### 32 Capital reserve

	The Group and the Bank	
	31 December 2021	31 December 2020
Share premium	37,050,086	37,050,086

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 33 Other comprehensive income

#### (1) Statement of other comprehensive income in the balance sheet

The Group and the Bank			
31 December 2021			
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit and loss			
Changes in fair value of Other equity investments	(210,701)	52,675	(158,026)
Items that may be reclassified subsequently to profit and loss			
Changes in fair value of other debt investments	4,008,983	(1,002,246)	3,006,737
Provision for credit impairment of other debt investments	168,459	(42,115)	126,344
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	78,413	(19,603)	58,810
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	407,990	(101,997)	305,993
Exchange differences on translation of financial statements and others	85,568	–	85,568
Sub-total	4,749,413	(1,165,961)	3,583,452
Total other comprehensive income	4,538,712	(1,113,286)	3,425,426

The Group and the Bank			
31 December 2020			
	Amount before tax	Income tax	Net amount after tax
Items that may not be reclassified subsequently to profit and loss			
Changes in fair value of Other equity investments	(328,745)	82,186	(246,559)
Items that may be reclassified subsequently to profit and loss			
Changes in fair value of other debt investments	1,276,927	(319,232)	957,695
Provision for credit impairment of other debt investments	102,253	(25,563)	76,690
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	(63,340)	15,835	(47,505)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	284,939	(71,235)	213,704
Exchange differences on translation of foreign currency financial statements	(13,696)	–	(13,696)
Sub-total	1,587,083	(400,195)	1,186,888
Total other comprehensive income	1,258,338	(318,009)	940,329

## VI Notes to the financial statements (continued)

### 33 Other comprehensive income (continued)

#### (2) Statement of other comprehensive income in the income statement

	The Group and the Bank			
	2021			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of Other equity investments	(48,851)	–	(5,151)	(54,002)
Items that may be reclassified subsequently to profit and loss				
Changes in fair value of other debt investments	2,648,755	239,565	(722,080)	2,166,240
Provision for credit impairment of other debt investments	91,551	–	(22,888)	68,663
Change in the fair value of loans and advances to customers measured at fair value through other comprehensive income	617,222	(475,478)	(35,435)	106,309
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	203,753	–	(50,938)	152,815
Exchange differences on translation of financial statements and others	(24,381)	–	–	(24,381)
Total	3,488,049	(235,913)	(836,492)	2,415,644



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 33 Other comprehensive income (continued)

#### (2) Statement of other comprehensive income in the income statement (continued)

	The Group and the Bank			
	2020			
	Amount incurred before income tax for the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income, net of tax
Other comprehensive income that will not be reclassified to profit or loss				
Changes in fair value of Other equity investments	(190,840)	–	47,710	(143,130)
Items that may be reclassified subsequently to profit and loss				
Changes in fair value of other debt investments	(2,623,055)	297,527	581,382	(1,744,146)
Provision for credit impairment of other debt investments	217	–	(54)	163
Changes in fair value of loans and advances to customers measured at fair value through other comprehensive income	(58,907)	–	14,727	(44,180)
Provision for credit impairment of loans and advances to customers measured at fair value through other comprehensive income	16,168	–	(4,042)	12,126
Exchange differences on translation of financial statements and others	(24,671)	–	–	(24,671)
Total	(2,881,088)	297,527	639,723	(1,943,838)

## VI Notes to the financial statements (continued)

### 34 Surplus reserve

The Group		
	2021	2020
Opening balance	12,533,173	11,151,972
Increase in the current year	1,747,638	1,381,201
Ending balance	14,280,811	12,533,173

The Bank		
	2021	2020
Opening balance	12,533,173	11,151,972
Increase in the current year	1,740,532	1,381,201
Ending balance	14,273,705	12,533,173

- (a) In accordance with the *Company Law of the People's Republic of China* and the Articles of Association of the Bank, the Group and the Bank should appropriate 10% of profit for the year for the year to the statutory surplus reserve, and the Bank can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 35 General reserve

	The Group and the Bank	
	2021	2020
Opening balance	<b>34,991,137</b>	30,036,492
Increase in the current year	<b>3,108,509</b>	4,954,645
Ending balance	<b>38,099,646</b>	34,991,137

Pursuant to relevant banking laws and regulations in China, from 1 July 2012, the Bank appropriated statutory general reserve from profit for the year through appropriation of profit in accordance with the *Administrative Measures for the Provision of Reserves of Financial Enterprises* (Cai Jin [2012] No. 20). The proportion of statutory general reserve appropriated is determined by the Bank, taking into account the risks it assumes and other factors. The proportion is generally no less than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution.

### 36 Appropriation of profit

(a) At the 2020 Annual General Meeting held on 30 June 2021, the shareholders approved the following appropriations of profits for the year ended 31 December 2020:

- Appropriated 10% of profit for the year, amounting to RMB1,381 million to the statutory surplus reserve.
- Appropriated RMB4,955 million to the general reserve;
- Distributed cash dividends of RMB0.77 (tax inclusive) per 10 shares to shareholders registered in the share ledger, amounting to a total dividends of RMB1,516 million.

When the Bank distributes cash dividends to shareholders, it withholds and pays the corresponding income tax for the natural person shareholders of the Bank in accordance with the requirements of relevant laws and regulations on tax collection and management in China.

(b) The Bank paid interest on the 2019 undated capital bonds of RMB2,025 million (2020: RMB2,025 million) on 9 September 2021.

## VI Notes to the financial statements (continued)

### 37 Net interest income

	The Group	
	2021	2020
Interest income		
Due from central banks	<b>2,929,519</b>	2,722,119
Due from banks and other financial institutions	<b>38,856</b>	55,973
Placements with banks and other financial institutions	<b>2,653,537</b>	3,255,868
Financial assets held under resale agreements	<b>2,622,712</b>	2,231,815
Loans and advances to customers		
– Corporate loans and advances	<b>39,781,867</b>	35,934,843
– Personal loans and advances	<b>53,949,836</b>	57,587,192
– Discounted notes	<b>6,106,569</b>	5,269,088
Financial investment	<b>20,099,657</b>	20,785,183
Sub-total	<b>128,182,553</b>	127,842,081
Interest expenses		
Borrowings from central banks	<b>(2,136,000)</b>	(2,225,951)
Due to banks and other financial institutions	<b>(11,463,322)</b>	(11,024,790)
Placements from banks and other financial institutions	<b>(353,066)</b>	(536,649)
Financial assets sold under repurchase agreements	<b>(609,616)</b>	(910,087)
Customer deposits	<b>(50,520,200)</b>	(45,097,969)
Bonds issued	<b>(7,601,106)</b>	(5,199,336)
Sub-total	<b>(72,683,310)</b>	(64,994,782)
Net interest income	<b>55,499,243</b>	62,847,299

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 37 Net interest income (continued)

	The Bank	
	2021	2020
Interest income		
Due from central banks	<b>2,929,519</b>	2,722,119
Due from banks and other financial institutions	<b>37,383</b>	55,973
Placements with banks and other financial institutions	<b>2,653,537</b>	3,255,868
Financial assets held under resale agreements	<b>2,622,712</b>	2,231,815
Loans and advances to customers		
– Corporate loans and advances	<b>39,781,867</b>	35,934,843
– Personal loans and advances	<b>53,949,836</b>	57,587,192
– Discounted notes	<b>6,106,569</b>	5,269,088
Financial investment	<b>20,099,657</b>	20,785,183
Sub-total	<b>128,181,080</b>	127,842,081
Interest expenses		
Borrowings from central banks	<b>(2,136,000)</b>	(2,225,951)
Due to banks and other financial institutions	<b>(11,577,580)</b>	(11,024,790)
Placements from banks and other financial institutions	<b>(353,066)</b>	(536,649)
Financial assets sold under repurchase agreements	<b>(609,616)</b>	(910,087)
Customer deposits	<b>(50,520,200)</b>	(45,097,969)
Bonds issued	<b>(7,601,106)</b>	(5,199,336)
Sub-total	<b>(72,797,568)</b>	(64,994,782)
Net interest income	<b>55,383,512</b>	62,847,299

## VI Notes to the financial statements (continued)

### 38 Net fee and commission income

	The Group	
	2021	2020
Fee and commission income		
Bank card fees	12,954,484	11,624,204
Agency service fees	1,124,380	1,454,858
Commission on trust and fiduciary activities	613,116	637,655
Debenture underwriting fees	595,844	623,991
Guarantee and commitment fees	524,380	414,305
Settlement and clearing fees	468,678	324,132
Commission on wealth management products	436,961	503,958
Consultancy and advisory fees	213,473	148,201
Others	90,253	86,488
Sub-total	17,021,569	15,817,792
Fee and commission expenses		
Bank card fees	(4,009,109)	(3,724,620)
Settlement fees	(231,013)	(219,733)
Agency expenses	(180,833)	(152,796)
Others	(418,777)	(418,689)
Sub-total	(4,839,732)	(4,515,838)
Net fee and commission income	12,181,837	11,301,954

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 38 Net fee and commission income (continued)

	The Bank	
	2021	2020
Fee and commission income		
Bank card fees	<b>12,954,484</b>	11,624,204
Agency service fees	<b>1,124,380</b>	1,454,858
Commission on trust and fiduciary activities	<b>613,116</b>	637,655
Debenture underwriting fees	<b>595,844</b>	623,991
Guarantee and commitment fees	<b>524,380</b>	414,305
Settlement and clearing fees	<b>468,678</b>	324,132
Commission on wealth management products	<b>436,961</b>	503,958
Consultancy and advisory fees	<b>213,473</b>	148,201
Others	<b>90,253</b>	86,488
Sub-total	<b>17,021,569</b>	15,817,792
Fee and commission expenses		
Bank card fees	<b>(4,009,109)</b>	(3,724,620)
Settlement fees	<b>(231,013)</b>	(219,733)
Agency expenses	<b>(189,390)</b>	(152,796)
Others	<b>(418,777)</b>	(418,689)
Sub-total	<b>(4,848,289)</b>	(4,515,838)
Net fee and commission income	<b>12,173,280</b>	11,301,954



## VI Notes to the financial statements (continued)

### 39 Investment income

	The Group and the Bank	
	2021	2020
Gains on derivative financial instruments	<b>705,841</b>	199,322
Precious metal investment losses	<b>(2,728)</b>	(132,103)
Gains on financial instruments at fair value through profit or loss	<b>6,246,340</b>	3,295,678
(Losses)/Gains on disposal of other debt investments at fair value through other comprehensive income	<b>(239,565)</b>	538,934
Gains/(Losses) on financial liabilities at fair value through profit or loss	<b>127</b>	(6,933)
Gains on derecognition of debt investments at amortised cost	<b>24,017</b>	915,295
Others	<b>522,149</b>	276,440
Total	<b>7,256,181</b>	5,086,633

### 40 Gains/(Losses) arising from changes in fair value

	The Group and the Bank	
	2021	2020
Financial assets held for trading	<b>(580,761)</b>	562,688
Derivative financial assets and derivative financial liabilities	<b>(93,038)</b>	85,916
Precious metals and others	<b>1,036</b>	122,941
Total	<b>(672,763)</b>	771,545

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 41 Foreign exchange gains/(losses)

Foreign exchange gains/(losses) mainly consist of the gains or losses on conversion of foreign currency assets and liabilities, the realised gains or losses and unrealised changes in the fair value arising from foreign exchange derivatives.

### 42 Gains from disposal of non-current assets

The Group and the Bank		
	2021	2020
Gains on disposals of fixed assets	10,046	31,388
Gains on disposals of right-of-use assets	3,344	Not applicable
(Losses)/Gains on disposals of repossessed assets	(3,415)	23,777
Total	9,975	55,165

### 43 Other income

The Group		
	2021	2020
Government grants – Income related	140,262	123,319

The Bank		
	2021	2020
Government grants – Income related	128,262	123,319

### 44 Taxes and surcharges

The Group		
	2021	2020
City maintenance and construction tax	425,744	461,609
Educational surcharge	309,434	329,848
Property tax	111,512	103,778
Stamp tax	55,828	64,430
Others	9,466	10,010
Total	911,984	969,675

## VI Notes to the financial statements (continued)

### 44 Taxes and surcharges (continued)

	The Bank	
	2021	2020
City maintenance and construction tax	425,707	461,609
Educational surcharge	309,409	329,848
Property tax	111,512	103,778
Stamp tax	55,828	64,430
Others	9,466	10,010
Total	911,922	969,675

### 45 Operating and administrative expenses

	The Group	
	2021	2020
Employee benefits and welfare	16,282,938	13,525,834
General operating expenses	1,244,008	1,333,488
Depreciation and amortisation	3,896,081	1,905,387
Outsourcing service fee	1,432,855	1,394,646
Others	4,409,957	4,916,682
Total	27,265,839	23,076,037

	The Bank	
	2021	2020
Employee benefits and welfare	16,248,197	13,525,834
General operating expenses	1,243,813	1,333,488
Depreciation and amortisation	3,891,974	1,905,387
Outsourcing service fee	1,432,552	1,394,646
Others	4,407,828	4,916,682
Total	27,224,364	23,076,037

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 46 Credit impairment losses

	The Group and the Bank	
	2021	2020
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	<b>23,467,396</b>	34,820,039
– Loans and advances to customers measured at fair value through other comprehensive income	<b>203,753</b>	16,168
Financial investment		
– Debt investments	<b>892,615</b>	3,443,605
– Other debt investments	<b>154,176</b>	4,754
Provisions for guarantee and commitment	<b>449,458</b>	1,013,212
Placements with banks and other financial institutions	<b>240,691</b>	(51,028)
Others	<b>68,082</b>	(370,856)
Total	<b>25,476,171</b>	38,875,894

### 47 Non-operating income and expenses

#### Non-operating income

	The Group and the Bank	
	2021	2020
Write back of long-term payables	<b>62,452</b>	2,652
Write back of income from long-term undrawn payments	<b>35,147</b>	10,533
Penalty and overdue fine	<b>19,570</b>	38,956
Government grants unrelated to daily activities	<b>14,367</b>	7,041
Others	<b>46,033</b>	51,191
Total	<b>177,569</b>	110,373

## VI Notes to the financial statements (continued)

### 47 Non-operating income and expenses (continued)

#### *Non-operating expenses*

	The Group and the Bank	
	2021	2020
Penalty and compensation	62,244	24,923
Losses on fixed assets pending for disposal	27,452	12,044
Donation	3,584	62,520
Accrued provisions	1,006	(108,422)
Others	52,878	60,080
Total	147,164	51,145

### 48 Income tax expenses

	The Group	
	2021	2020
Current income tax	2,911,997	4,476,431
Deferred income tax	870,715	(710,698)
Total	3,782,712	3,765,733

	The Bank	
	2021	2020
Current income tax	2,888,309	4,476,431
Deferred income tax	870,715	(710,698)
Total	3,759,024	3,765,733

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 48 Income tax expenses (continued)

The reconciliation from income tax calculated based on the applicable tax rates and profit before income tax presented in the consolidated financial statements to the income tax expenses is listed below:

	The Group	
	2021	2020
Profit before income tax	21,259,096	17,577,744
Income tax expenses at statutory tax rate of 25%	5,314,774	4,394,436
Non-deductible expenses (Note (i))	1,372,842	2,308,696
Income not subject to income tax (Note (ii))	(2,904,020)	(2,845,710)
Income tax adjustment for prior years	172	(45,947)
Others	(1,056)	(45,742)
Income tax expenses	3,782,712	3,765,733

	The Bank	
	2021	2020
Profit before income tax	21,164,345	17,577,744
Income tax expenses at statutory tax rate of 25%	5,291,086	4,394,436
Non-deductible expenses (Note (i))	1,372,842	2,308,696
Income not subject to income tax (Note (ii))	(2,904,020)	(2,845,710)
Income tax adjustment for prior years	172	(45,947)
Others	(1,056)	(45,742)
Income tax expenses	3,759,024	3,765,733

(i) These amounts primarily represent staff costs in excess of the statutory deductible threshold, non-deductible entertainment expenses and impairment losses not expected to be approved by the tax authorities.

(ii) These amounts primarily represent interest income from Chinese government bonds and local government bonds.

## VI Notes to the financial statements (continued)

### 49 Notes to the cash flow statement

#### (a) Reconciliation from profit for the year to cash flows from operating activities

	The Group	
	2021	2020
Profit for the year	<b>17,476,384</b>	13,812,011
Add: Other asset impairment losses	<b>8,854</b>	44,758
Credit impairment losses	<b>25,476,171</b>	38,875,894
Depreciation of right-of-use assets	<b>1,591,735</b>	Not applicable
Depreciation of fixed assets	<b>850,344</b>	811,092
Amortisation of intangible assets	<b>1,011,415</b>	787,597
Amortisation of long-term prepaid expenses	<b>442,587</b>	306,698
Gains/(Losses) on disposals of fixed assets, intangible assets and other long-term assets	<b>(9,975)</b>	(55,165)
Losses on scrapping of long-term assets	<b>64,249</b>	23,777
Losses/(Gains) from changes in fair value of foreign exchange derivatives	<b>(205,471)</b>	(467,436)
Losses/(Gains) arising from changes in fair value	<b>672,763</b>	(771,545)
Investment income	<b>(6,783,528)</b>	(4,829,193)
Interest income from investments	<b>(20,099,657)</b>	(20,785,183)
Interest expenses on bonds issued	<b>7,601,106</b>	5,199,336
Interest expenses on lease liabilities	<b>197,042</b>	–
Decrease/(Increase) in deferred tax assets	<b>870,715</b>	(710,698)
Increase in operating receivables	<b>(205,086,859)</b>	(292,693,384)
Increase in operating payables	<b>267,609,536</b>	301,549,664
Net cash flows from operating activities	<b>91,687,411</b>	41,098,223



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 49 Notes to the cash flow statement (continued)

#### (a) Reconciliation from profit for the year to cash flows from operating activities (continued)

	The Bank	
	2021	2020
Profit for the year	<b>17,405,321</b>	13,812,011
Add: Other asset impairment losses	<b>8,854</b>	44,758
Credit impairment losses	<b>25,476,171</b>	38,875,894
Depreciation of right-of-use assets	<b>1,590,410</b>	Not applicable
Depreciation of fixed assets	<b>848,751</b>	811,092
Amortisation of intangible assets	<b>1,011,415</b>	787,597
Amortisation of long-term prepaid expenses	<b>441,398</b>	306,698
Gains/(Losses) on disposals of fixed assets, intangible assets and other long-term assets	<b>(9,975)</b>	(55,165)
Losses on scrapping of long-term assets	<b>64,249</b>	23,777
Losses/(Gains) from changes in fair value of foreign exchange derivatives	<b>(205,471)</b>	(467,436)
Losses/(Gains) arising from changes in fair value	<b>672,763</b>	(771,545)
Investment income	<b>(6,783,528)</b>	(4,829,193)
Interest income from investments	<b>(20,099,657)</b>	(20,785,183)
Interest expenses on bonds issued	<b>7,601,106</b>	5,199,336
Interest expenses on lease liabilities	<b>196,878</b>	–
Decrease/(Increase) in deferred tax assets	<b>870,715</b>	(710,698)
Increase in operating receivables	<b>(205,812,065)</b>	(292,693,384)
Increase in operating payables	<b>267,584,951</b>	301,549,664
Net cash flows from operating activities	<b>90,862,286</b>	41,098,223

## VI Notes to the financial statements (continued)

### 49 Notes to the cash flow statement (continued)

#### (b) Net increase/(decrease) in cash and cash equivalents

	The Group	
	2021	2020
Cash at the end of the year	<b>3,594,800</b>	3,548,742
Less: Cash at the beginning of the year	<b>(3,548,742)</b>	(3,098,555)
Add: Cash equivalents at the end of the year	<b>344,095,223</b>	215,053,660
Less: Cash equivalents at the beginning of the year	<b>(215,053,660)</b>	(181,858,754)
Net increase in cash and cash equivalents	<b>129,087,621</b>	33,645,093

	The Bank	
	2021	2020
Cash at the end of the year	<b>3,594,800</b>	3,548,742
Less: Cash at the beginning of the year	<b>(3,548,742)</b>	(3,098,555)
Add: Cash equivalents at the end of the year	<b>343,314,328</b>	215,053,660
Less: Cash equivalents at the beginning of the year	<b>(215,053,660)</b>	(181,858,754)
Net increase in cash and cash equivalents	<b>128,306,726</b>	33,645,093

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VI Notes to the financial statements (continued)

### 49 Notes to the cash flow statement (continued)

#### (c) Cash and cash equivalents

	The Group	
	31 December 2021	31 December 2020
Cash on hand	3,594,800	3,548,742
Due from central banks	160,170,618	79,938,386
Due from banks and other financial institutions	9,450,428	10,529,022
Placements with banks and other financial institutions	22,276,696	17,278,779
Financial assets held under resale agreements	152,197,481	107,307,473
Total	347,690,023	218,602,402

	The Bank	
	31 December 2021	31 December 2020
Cash on hand	3,594,800	3,548,742
Due from central banks	160,170,618	79,938,386
Due from banks and other financial institutions	8,669,533	10,529,022
Placements with banks and other financial institutions	22,276,696	17,278,779
Financial assets held under resale agreements	152,197,481	107,307,473
Total	346,909,128	218,602,402

The original maturity of financial assets listed in cash equivalents are within 3 months.

## VII Segment information

### 1 Operating segments

The Group manages its business by business lines and geographical areas. The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resource allocation and performance assessment. The Group defines reporting segments based on the following business operating segments:

#### ***Corporate banking business***

This segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans, trade financing, deposit services, agency services, cash management services, finance consulting and advisory services, remittance and settlement services, and guarantee services.

#### ***Retail banking and credit card business***

This segment provides financial products and services to individual customers. The range of products and services includes loans, deposit services, wealth management services, remittance services, securities agency services and credit cards services, etc.

#### ***Treasury operations and other business***

Treasury operations and other business cover inter-bank market transactions, repurchase transactions, debenture investments and transactions, derivative financial instruments, custody services, asset management services, equity investments, foreign currency trading and segments that could not be listed separately or could not be divided by any reasonable benchmark. It also covers the management of the Group's overall liquidity position, including the issuance of bonds.

Segment accounting policies are consistent with those for the Group's financial statements. Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market price and have been reflected in the performance of each segment. Interest income and expenses earned from third parties are listed as "external net interest income/(expenses)". Net interest income and expenses arising from internal charges and transfer pricing adjustments are listed as "inter-segment net interest income/(expenses)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities include intra-bank balances and intra-bank transactions that are eliminated in the preparation of the financial statements. Segment capital expenditure is the total cost incurred during the accounting period to acquire fixed assets, intangible assets, right-of-use assets, other long-term assets and new construction in process.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VII Segment information (continued)

### 1 Operating segments (continued)

	The Group 2021			
	Corporate banking business	Retail banking and credit card business	Treasury operations and other business	Total
External net interest income/(expenses)	12,703,812	45,088,287	(2,292,856)	55,499,243
Inter-segment net interest income/(expenses)	11,993,835	(18,069,765)	6,075,930	–
Net interest income	24,697,647	27,018,522	3,783,074	55,499,243
Net fee and commission income	1,617,107	10,092,857	471,873	12,181,837
Investment income	507,364	2,331	6,746,486	7,256,181
Gains/(Losses) arising from changes in fair value	18,635	–	(691,398)	(672,763)
Foreign exchange gains	–	–	433,534	433,534
Other operating income	1,144	2,491	52,752	56,387
Gains from disposal of non-current assets	202	440	9,333	9,975
Other income	2,844	6,195	131,223	140,262
Revenue	26,844,943	37,122,836	10,936,877	74,904,656
Taxes and surcharges	(316,321)	(432,401)	(163,262)	(911,984)
Operating and administrative expenses	(9,743,510)	(15,089,918)	(2,432,411)	(27,265,839)
Impairment losses on assets	(12,609,276)	(12,116,182)	(759,567)	(25,485,025)
Including: Credit impairment losses	(12,602,051)	(12,114,553)	(759,567)	(25,476,171)
Other asset impairment losses	(7,225)	(1,629)	–	(8,854)
Other operating expenses	(4,311)	(6,048)	(2,758)	(13,117)
Operating expenses	(22,673,418)	(27,644,549)	(3,357,998)	(53,675,965)
Operating profit	4,171,525	9,478,287	7,578,879	21,228,691
Add: Non-operating income	1,317	2,611	173,641	177,569
Less: Non-operating expenses	(14,898)	(8,633)	(123,633)	(147,164)
Profit before income tax	4,157,944	9,472,265	7,628,887	21,259,096
Segment assets	1,039,493,652	907,116,715	1,413,374,179	3,359,984,546
Segment liabilities	1,690,473,734	447,008,061	988,001,996	3,125,483,791
Other segment information:				
Credit commitments	494,692,165	807,857,673	–	1,302,549,838
Depreciation and amortisation expenses	1,205,348	1,051,850	1,638,883	3,896,081
Capital expenditure	2,179,179	1,901,666	2,962,978	7,043,823

In 2021, the Bank's Party Committee resolved to adjust the business lines of the Investment Banking Department through the adjustment on organisational structure of the Bank's Head Office. From 2021, the business line of the former Investment Banking Department was changed from "treasury operations and other business" to "corporate banking business". The comparative segment information in 2020 was restated.

## VII Segment information (continued)

### 1 Operating segments (continued)

	The Group 2020			
	Corporate banking business	Retail banking and credit card business	Treasury operations and other business	Total
External net interest income/(expenses)	12,838,159	49,691,776	317,364	62,847,299
Inter-segment net interest income/(expenses)	11,955,626	(18,892,476)	6,936,850	–
Net interest income	24,793,785	30,799,300	7,254,214	62,847,299
Net fee and commission income	1,445,714	9,457,217	399,023	11,301,954
Investment income	30,316	260,779	4,795,538	5,086,633
Gains/(Losses) arising from changes in fair value	(156,982)	–	928,527	771,545
Foreign exchange gains	–	–	257,558	257,558
Other operating income	5,653	2,907	73,346	81,906
Gains from disposal of non-current assets	3,807	1,958	49,400	55,165
Other income	8,511	4,375	110,433	123,319
Revenue	26,130,804	40,526,536	13,868,039	80,525,379
Taxes and surcharges	(281,338)	(492,617)	(195,720)	(969,675)
Operating and administrative expenses	(8,246,862)	(13,681,729)	(1,147,446)	(23,076,037)
Impairment losses on assets	(14,546,044)	(21,337,148)	(3,037,460)	(38,920,652)
Including: Credit impairment losses	(14,528,069)	(21,310,365)	(3,037,460)	(38,875,894)
Other asset impairment losses	(17,975)	(26,783)	–	(44,758)
Other operating expenses	(10,471)	(19,089)	(10,939)	(40,499)
Operating expenses	(23,084,715)	(35,530,583)	(4,391,565)	(63,006,863)
Operating profit	3,046,089	4,995,953	9,476,474	17,518,516
Add: Non-operating income	837	1,390	108,146	110,373
Less: Non-operating expenses	(4,490)	(13,931)	(32,724)	(51,145)
Profit before income tax	3,042,436	4,983,412	9,551,896	17,577,744
Segment assets	924,720,033	807,614,281	1,295,637,683	3,027,971,997
Segment liabilities	1,484,025,314	378,281,149	947,515,893	2,809,822,356
Other segment information:				
Credit commitments	458,226,426	700,836,850	–	1,159,063,276
Depreciation and amortisation expenses	583,952	508,021	813,414	1,905,387
Capital expenditure	715,363	624,770	1,002,303	2,342,436

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VII Segment information (continued)

### 2 Geographical segments

The Bank operates principally in Mainland China. Apart from the Head Office, the Group has 48 direct branches in Beijing, Shanghai, Dalian, Shenyang, Zhengzhou, Nanjing, Hangzhou, Kunming, Guangzhou, Shenzhen, Dongguan, Zhuhai, Shantou, Meizhou, Huizhou, Shaoguan, Qingyuan, Zhongshan, Foshan, Jiangmen, Zhaoqing, Yangjiang, Zhanjiang, Wuhan, Maoming, Heyuan, Changsha, Tianjin, Harbin, Jinan, Urumqi, Chengdu, Fuzhou, Ningbo, Suzhou, Hefei, Chongqing, Xi'an, Shijiazhuang, Nanchang, Nanning, Taiyuan, Changchun, Guiyang, Qingdao, Haikou, Macau Special Administration Region of the People's Republic of China ("Macau") and Hong Kong Special Administration Region of the People's Republic of China ("Hong Kong") respectively.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generate the income. Assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical areas which are based on the location of the Group's branches, as defined for management reporting purposes, are as follows:

- "Yangtze River Delta": Shanghai, Jiangsu Province and Zhejiang Province;
- "Pearl River Delta": Guangdong Province, Fujian Province and Hainan Province;
- "Bohai Rim": Beijing, Tianjin, Liaoning Province, Heilongjiang Province, Jilin Province, Shandong Province and Hebei Province;
- "Central and Western": Henan Province, Hubei Province, Hunan Province, Yunnan Province, Sichuan Province, Guizhou Province, Anhui Province, Shaanxi Province, Chongqing, Guangxi Zhuang Autonomous Region, Jiangxi Province, Shanxi Province and Xinjiang Uygur Autonomous Region;
- Head Office: Head Office and Credit Card Centre;
- Overseas: Macau and Hong Kong.



## VII Segment information (continued)

### 2 Geographical segments (continued)

	The Group 2021						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	5,357,955	968,549	(2,560,468)	9,499,886	41,832,341	400,980	55,499,243
Inter-segment net interest income/(expenses)	2,066,268	11,579,906	9,222,293	(1,126,951)	(21,594,871)	(146,645)	-
Net interest income	7,424,223	12,548,455	6,661,825	8,372,935	20,237,470	254,335	55,499,243
Net fee and commission income	602,907	704,011	704,519	544,956	9,471,063	154,381	12,181,837
Investment income	169,035	97,376	85,071	118,980	6,773,334	12,385	7,256,181
Gains/(Losses) arising from changes in fair value	9,073	1,667	(12,197)	(2,382)	(594,670)	(74,254)	(672,763)
Foreign exchange gains/(losses)	28,068	105,938	173,561	23,692	76,313	25,962	433,534
Other operating income	6,646	31,802	20,037	20,195	(22,293)	-	56,387
Gains/(Losses) on disposals of assets	322	1,725	4,752	1,087	2,089	-	9,975
Other income	9,510	1,102	74,678	19,703	35,269	-	140,262
Revenue	8,249,784	13,492,076	7,712,246	9,099,166	35,978,575	372,809	74,904,656
Taxes and surcharges	(151,951)	(180,596)	(111,681)	(152,074)	(314,736)	(946)	(911,984)
Operating and administrative expenses	(2,970,723)	(5,680,711)	(3,658,934)	(3,500,466)	(11,235,349)	(219,656)	(27,265,839)
Impairment losses on assets	(1,582,375)	(220,693)	(2,130,196)	(6,517,857)	(15,001,528)	(32,376)	(25,485,025)
Including: Credit impairment losses	(1,582,375)	(219,064)	(2,130,015)	(6,510,813)	(15,001,528)	(32,376)	(25,476,171)
Other asset impairment losses	-	(1,629)	(181)	(7,044)	-	-	(8,854)
Other operating expenses	(226)	(325)	(737)	(1)	(11,828)	-	(13,117)
Operating expenses	(4,705,275)	(6,082,325)	(5,901,548)	(10,170,398)	(26,563,441)	(252,978)	(53,675,965)
Operating profit	3,544,509	7,409,751	1,810,698	(1,071,232)	9,415,134	119,831	21,228,691
Add: Non-operating income	13,297	69,672	7,033	15,487	72,078	2	177,569
Less: Non-operating expenses	(30,518)	(52,636)	(18,761)	(21,182)	(24,072)	5	(147,164)
Profit before income tax	3,527,288	7,426,787	1,798,970	(1,076,927)	9,463,140	119,838	21,259,096

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VII Segment information (continued)

### 2 Geographical segments (continued)

	The Group 2021						Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	
Segment assets	457,875,097	806,733,938	568,343,853	404,253,497	1,864,489,132	40,225,119	4,141,920,636
Offsetting							(781,936,090)
Total assets							3,359,984,546
Segment liabilities	454,388,379	799,190,017	566,850,145	405,711,932	1,641,932,148	39,347,260	3,907,419,881
Offsetting							(781,936,090)
Total liabilities							3,125,483,791
Other segment information:							
Credit commitments	126,001,257	100,351,634	98,294,535	164,733,484	809,269,618	3,899,310	1,302,549,838
Depreciation and amortisation expenses	435,058	444,682	596,726	495,925	1,703,332	220,358	3,896,081
Capital expenditure	628,404	1,177,958	1,332,983	1,011,903	2,888,206	4,369	7,043,823

## VII Segment information (continued)

### 2 Geographical segments (continued)

	The Group						
	2020						
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	Total
External net interest income/(expenses)	6,476,761	1,154,581	(3,755,583)	7,983,002	50,839,528	149,010	62,847,299
Inter-segment net interest income/(expenses)	1,574,116	11,191,250	9,907,480	(28,919)	(22,520,448)	(123,479)	–
Net interest income	8,050,877	12,345,831	6,151,897	7,954,083	28,319,080	25,531	62,847,299
Net fee and commission income	527,445	740,861	676,742	426,541	8,829,712	100,653	11,301,954
Investment income	–	–	–	–	5,018,257	68,376	5,086,633
Gains/(Losses) arising from changes in fair value	(4,642)	(316)	28,086	259	759,148	(10,990)	771,545
Foreign exchange gains/(losses)	35,172	80,187	122,641	21,385	6,959	(8,786)	257,558
Other operating income	8,086	24,742	27,924	14,035	7,119	–	81,906
Gains/(Losses) on disposals of assets	21,341	34,119	(343)	5	43	–	55,165
Other income	10,859	4,585	63,092	23,303	21,480	–	123,319
Revenue	8,649,138	13,230,009	7,070,039	8,439,611	42,961,798	174,784	80,525,379
Taxes and surcharges	(175,478)	(167,931)	(108,006)	(134,258)	(383,065)	(937)	(969,675)
Operating and administrative expenses	(2,446,031)	(4,961,338)	(3,233,470)	(2,910,523)	(9,376,608)	(148,067)	(23,076,037)
Impairment losses on assets	(6,224,188)	(4,066,143)	(3,447,587)	(4,763,698)	(20,389,554)	(29,482)	(38,920,652)
Including: Credit impairment losses	(6,214,681)	(4,037,505)	(3,447,530)	(4,762,973)	(20,383,723)	(29,482)	(38,875,894)
Other asset impairment losses	(9,507)	(28,638)	(57)	(725)	(5,831)	–	(44,758)
Other operating expenses	(14,960)	(24,591)	(3,610)	(5,782)	8,444	–	(40,499)
Operating expenses	(8,860,657)	(9,220,003)	(6,792,673)	(7,814,261)	(30,140,783)	(178,486)	(63,006,863)
Operating profit	(211,519)	4,010,006	277,366	625,350	12,821,015	(3,702)	17,518,516
Add: Non-operating income	11,074	69,204	11,324	15,439	3,263	69	110,373
Less: Non-operating expenses	(18,102)	73,735	(17,379)	(32,457)	(57,158)	216	(51,145)
Profit before income tax	(218,547)	4,152,945	271,311	608,332	12,767,120	(3,417)	17,577,744

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## VII Segment information (continued)

### 2 Geographical segments (continued)

	The Group 2020						Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central and Western	Head Office	Overseas	
Segment assets	402,490,531	788,513,000	498,627,295	370,216,746	1,705,119,057	22,813,662	3,787,780,291
Offsetting							(759,808,294)
Total assets							3,027,971,997
Segment liabilities	402,860,395	784,298,025	499,154,716	370,025,274	1,491,269,933	22,022,307	3,569,630,650
Offsetting							(759,808,294)
Total liabilities							2,809,822,356
Other segment information:							
Credit commitments	122,182,676	91,097,755	93,819,086	147,833,885	700,836,850	3,293,024	1,159,063,276
Depreciation and amortisation expenses	136,631	280,179	160,699	198,634	1,122,511	6,733	1,905,387
Capital expenditure	103,437	142,980	63,102	228,540	1,775,110	29,267	2,342,436

## VIII Subsidiaries

Subsidiaries included in the consolidation scope as at 31 December 2021 are as follows:

	Place of registration	Major business location	Nature of business	Shareholding (%)
GuangYin Wealth Management Co., Ltd. (a)	Shanghai, China	China	Issuing wealth management products, investing and managing the entrusted property of investors, etc.	100%

- (a) On 1 December 2021, the Bank established GuangYin Wealth Management Co., Ltd.
- (b) The percentage of shareholding in GuangYin Wealth Management Co., Ltd. held by the Bank is 100%. The decisions on GuangYin Wealth Management Co., Ltd.'s relevant activities are made by the Board of Directors. The resolution of the Board of Directors should be subject to the consensus of a majority directors.

## IX Related parties and related party transactions

### 1 Major shareholders and subsidiaries of the Group they belong to

The Bank has no controlling shareholders. According to the *Interim Measures for the Equity Management of Commercial Banks* (China Banking Regulatory Commission [2018] No.1), the related parties of the Bank's major shareholders refer to shareholders who hold more than 5% of the Bank's shares or a shareholder who has a total share of less than 5% but has a significant impact on the Bank's operations and management. Among them, major influences include, but are not limited to, the dispatch of directors, supervisors or senior management personnel to the Bank. As at 31 December 2021, the related parties of the Bank's major shareholders were as follows:

	Place of registration	Registered capital	Shareholding in the Bank as at 31 December 2021	Main operations	Relationship with the Bank	Nature or type of business	Legal representative
China Life Insurance Company Limited	Beijing	RMB 28.265 billion	43.686%	Providing personal life insurance, group life insurance, accident insurance and health insurance products and services, etc.	Shareholder	Joint-stock enterprise	Bai Tao (change of industrial and commercial registration is in process)
State Grid Yingda International Holdings Corporation, Ltd.	Beijing	RMB 19.9 billion	15.647%	Investment and asset management; asset custody; services for corporate restructuring, mergers and acquisitions, strategic allotment and venture capital; investment consultant	Shareholder	Limited liability enterprise	Yang Dongwei
CITIC Trust Co., Ltd.	Beijing	RMB 11.276 billion	15.647%	Trust, investment funds, advisory and consulting, debenture underwriting, inherent property application, inter-bank money market transactions and other business permitted by regulations or approved by the China Banking Regulatory Commission, etc.	Shareholder	Limited liability company	Li Zimin
Jiangxi Communications Investment Group Co., Ltd. (Formerly known as: Jiangxi Provincial Expressway Investment Group Co., Ltd.)	Nanchang	RMB 9.505 billion	8.184%	Investment, construction and operation of expressway infrastructure, operation of expressway service area and construction of transportation infrastructure, etc.	Shareholder	Limited liability company	Wang Jiangjun
Jiangsu Suzhou Steel Group Co., Ltd.	Suzhou	RMB 1.017 billion	1.132%	Pig iron processing pig iron, steel (including cold-rolled ribbed steel), lease of own assets	Shareholder	Limited liability company	Chen Jiyou

As at 31 December 2021, Guangdong Yueong Investment Holding Co., Ltd. held 1.614% of the Bank (31 December 2020: 1.614%), which was less than 5%; on 13 December 2021, following the resignation of Mr. Chen Neng as a supervisor of the Bank, Guangdong Yueong Investment Holding Co., Ltd. no longer dispatched any supervisors to the Bank; and in accordance with the *Provisional Measures on Shareholdings Administration of Commercial Banks* (CBRC Order [2018] No.1), Guangdong Yueong Investment Holding Co., Ltd. no longer acted as a major shareholder of the Bank.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IX Related parties and related party transactions (continued)

### 1 Major shareholders and subsidiaries of the Group they belong to (continued)

#### *Changes in major shareholders' shareholdings in the Bank*

	31 December 2021 and 31 December 2020	
	Shares (Shares)	Shareholding (%)
China Life Insurance Company Limited	8,600,631,426	43.686
State Grid Yingda International Holdings Corporation, Ltd.	3,080,479,452	15.647
CITIC Trust Co., Ltd.	3,080,479,452	15.647
Jiangxi Communications Investment Group Co., Ltd. (Formerly known as: "Jiangxi Provincial Expressway Investment Group Co., Ltd.")	1,611,255,772	8.184
Jiangsu Suzhou Steel Group Co., Ltd.	222,777,231	1.132

The related party transactions and balances with major shareholders and subsidiaries of the Group they belong to are summarised in Note IX.5 and 7.

Subsidiaries of the Group that the Bank's major shareholders belong to include the companies controlled or jointly controlled by the Bank's major shareholders, the parents of the Bank's major shareholders and the companies controlled or jointly controlled by the parents.

### 2 Other related parties

Other related parties include companies directly or indirectly controlled and jointly controlled by the Bank's directors, supervisors, senior management and close family members, or companies in which the Bank's directors, supervisors, senior management and close family members serve as their directors or senior management personnel and joint ventures and subsidiaries of enterprises exerting significant influence on the Bank.

### 3 Controlled subsidiaries

The controlled subsidiaries of the Bank are detailed in Note VIII.

### 4 Related natural persons

- (1) Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including directors, supervisors and senior management.
- (2) Close family members of the key management stated above.

## IX Related parties and related party transactions (continued)

### 5 Related party transactions

	Main shareholders	Controlled subsidiaries	Other related parties	Total
Transactions for the year ended 31 December 2021:				
Interest income	464,559	–	1,960	466,519
Fee and commission income	527,813	–	2,106	529,919
Investment income	1,212,021	–	–	1,212,021
Other operating income	198	–	–	198
Non-operating income	344	–	–	344
Interest expenses	(3,829,378)	(114,258)	(3,079)	(3,946,715)
Fee and commission expenses	(18,745)	(8,557)	–	(27,302)
Operating and administrative expenses	(327,276)	–	–	(327,276)
Balances as at 31 December 2021:				
Placements with banks and other financial institutions	7,009,144	–	–	7,009,144
Financial assets held for trading	27,467,783	–	–	27,467,783
Derivative financial assets	607,253	–	129,532	736,785
Financial assets held under resale agreements	1,196,140	–	–	1,196,140
Loans and advances to customers	14,076,712	–	20,634,999	34,711,711
Other debt investments	509,341	–	–	509,341
Right-of-use assets	468,636	–	–	468,636
Other assets	23,772	–	11	23,783
Deposits from banks and non-bank financial institutions	16,569,706	29,080	26,931,424	43,530,210
Derivative financial liabilities	585,736	–	123,822	709,558
Customer deposits	218,902,684	–	642,789	219,545,473
Lease liabilities	483,209	–	–	483,209
Other liabilities	8,025,917	9,071	–	8,034,988



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## IX Related parties and related party transactions (continued)

### 5 Related party transactions (continued)

	Main shareholders	Other related parties	Total
Transactions for the year ended 31 December 2020:			
Interest income	64,994	16,069	81,063
Fee and commission income	403,111	537	403,648
Investment income	883,194	–	883,194
Other operating income	1,826	–	1,826
Non-operating income	1,472	–	1,472
Interest expenses	(3,197,928)	(886)	(3,198,814)
Fee and commission expenses	(10,258)	–	(10,258)
Operating and administrative expenses	(185,325)	(36)	(185,361)
Balances as at 31 December 2020:			
Placements with banks and other financial institutions	1,300,048	–	1,300,048
Financial assets held for trading	34,704,230	–	34,704,230
Derivative financial assets	676,623	–	676,623
Financial assets held under resale agreements	6,706,412	–	6,706,412
Loans and advances to customers	5,810,165	296,466	6,106,631
Debt investments	888,645	–	888,645
Other debt investments	866,493	–	866,493
Other assets	386,029	125	386,154
Deposits from banks and non-bank financial institutions	11,780,865	3,882,419	15,663,284
Derivative financial liabilities	702,025	–	(702,025)
Financial assets sold under repurchase agreements	16,917,029	–	16,917,029
Customer deposits	79,554,551	158,784	79,713,335
Bonds issued	1,145,474	–	1,145,474
Other liabilities	3,876	–	3,876

Excluding the above balances, the Bank has no other amounts refer to shareholders having 5% or more of the Bank's shares or holding less than 5% of the total shares but has a significant impact on the Bank's operation and management. All significant related-party transactions of the Bank (including the manner and terms of receipt and payment) are conducted on normal commercial terms.

Transactions with related natural persons and other related parties are conducted in accordance with normal commercial terms and business procedures, on the basis of general transaction prices. Except for the transactions with other related parties disclosed in Note IX.5 and 7, other transactions between the Bank and related natural persons and other related parties are not significant. Therefore, the Bank does not disclose other related transactions.

## IX Related parties and related party transactions (continued)

### 6 Remuneration of key management

	2021	2020
Remuneration of key management	<b>RMB 25 million</b>	RMB 25 million

The total compensation package for key management for the year ended 31 December 2021 has not yet been finalised in accordance with regulations of relevant authorities. But it is expected to have no significant impact on the Bank's financial statements for the year ended 31 December 2021.

During 2021 and 2020, there were no amounts paid or payable by the Bank to the directors, supervisors or senior management as an inducement to join or upon joining the Bank or as termination benefits, and there was also no waiver of any emoluments.

### 7 Enterprise annuity

During 2021, the Group made annuity contributions of RMB420 million to the Annuity Plan managed by China Life Pension Company Limited. The contributions of the Bank and the employees were RMB350 million and RMB70 million respectively. (2020: RMB385 million, including RMB325 million contributed by the Bank and RMB60 million contributed by employees).

During 2021, the Bank made annuity contributions of RMB419 million to the Annuity Plan managed by China Life Pension Company Limited. The contributions of the Bank and the employees were RMB349 million and RMB70 million respectively. (2020: RMB385 million, including RMB325 million contributed by the Bank and RMB60 million contributed by employees).

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## X Interests in structured entities

### 1. Unconsolidated structured entities

#### *Unconsolidated structured entities sponsored and managed by the Group*

The unconsolidated structured entities sponsored and managed by the Group consist primarily of non-principal guaranteed wealth management products (WMPs), which are not subject to any guarantee of the Group on the principal invested or interest to be paid. The WMPs entities primarily invest in a range of fixed-income assets such as money markets instruments, bonds and loan assets. As the manager of these products, the Group invests, on behalf of its customers, the funds raised in the relevant underlying assets as described in the product contracts and distributes income to investors based on the operation of the products.

As at 31 December 2021, the size of non-principal guaranteed WMPs issued by the Group amounted to RMB192,701 million (31 December 2020: RMB179,503 million). In 2021, the Group's revenue from WMPs service was RMB437 million (2020: RMB504 million).

In 2021 and 2020, the Group did not enter into any agreed liquidity arrangements, guarantees or other commitments that would increase the Group's risk as a result of the above WMPs with wealth management entities or any third parties. There were no provisions that the Group should assume losses on the non-guaranteed WMPs. In 2021 and 2020, the non-guaranteed WMPs issued by the Group did not cause any losses to the Group, nor financial difficulties.

#### *Other unconsolidated structured entities invested by the Group*

The Group invests in other unconsolidated structured entities which are sponsored or managed by other entities for investment return, and related gains or losses are included in investment income or losses and interest income therefrom. These unconsolidated structured entities mainly comprise asset management products, fund products and asset-backed securities invested by the Group. As at 31 December 2021, the carrying amount of the above unconsolidated structured entities held by the Group and the resulting maximum risk exposure amounted to RMB192.045 billion (31 December 2020: RMB215.726 billion), which are presented in financial assets held for trading and debt investments of the Group's consolidated financial statements separately.

## XI Commitments

### 1 Loan commitments and financial guarantee contracts

	31 December 2021	31 December 2020
	The Group and the Bank	The Group and the Bank
Undrawn credit facilities	807,857,673	700,836,850
Loan commitments	32,754,125	19,849,038
Bank acceptance notes	355,920,934	346,144,738
Guarantee and letters of guarantee issued	51,161,449	42,460,220
Letters of credit issued	54,855,657	49,772,430
Total	1,302,549,838	1,159,063,276

Loan commitments and financial guarantee contracts include credit facilities provided to customers and general credit facilities which can be realised by loans or letters of credit issued, guarantee and letters of guarantee issued or bank acceptance notes.

### 2 Capital commitments

Capital commitments contracted for by the Group and the Bank but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2021	31 December 2020
	The Group and the Bank	The Group and the Bank
Contracted but not provided	3,422,959	3,211,040

### 3 National bonds redemption commitments

The Group and the Bank are appointed by the Ministry of Finance as its agent to underwrite national bonds. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders prior to maturity. The redemption price for the bonds is based on the principal of the bonds plus any interest payable as determined under early redemption agreement.

As at 31 December 2021, the redemption obligations of the Group and the Bank in respect of underwritten, sold but not yet matured Chinese government bonds amounted to RMB3.086 billion (31 December 2020: RMB4.480 billion). The original maturities of the above national bonds vary from 3 to 5 years.

### 4 Lawsuits

The Group and the Bank acted as defendants in a number of legal proceedings in the normal course of business. As at 31 December 2021, according to court judgement or opinion of legal advisor, the Group and the Bank made provision of RMB453 million (31 December 2020: RMB459 million) and disclosed in Note VI.26 "Provisions".

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XII Collateral

### 1 Financial assets pledged as collateral

Financial assets of the Group including bonds and notes have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements, due to central banks, the time deposits placed by Central Treasury in the commercial banks and bonds lending. As at 31 December 2021, the carrying amounts of the above financial assets pledged as collateral are as follows:

	31 December 2021	31 December 2020
	The Group and the Bank	The Group and the Bank
Bonds	153,894,638	216,042,331
Discounted notes	14,053,245	15,471,005
Total	167,947,883	231,513,336

As at 31 December 2021, the carrying amount of the Group's and the Bank's financial assets sold under repurchase agreements (Note VI 22) was RMB70.065 billion (31 December 2020: RMB85.124 billion). The repurchase agreements expire primarily within 1 year from the effective date.

### 2 Collateral accepted for financial assets held under resale agreements

The Group conducts resale agreements under usual and customary terms of placements, and holds collateral for these transactions. For the carrying amount of the financial assets held under resale agreements, please see Note VI.5. As at 31 December 2021, the Group did not hold the collaterals for resale agreements which it was permitted to sell or repledge in the absence of default for the transactions (As at 31 December 2020: Nil).

### XIII Fiduciary activities

#### 1 Entrusted loan business

The Group and the Bank act as the agent and grants 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 scales of entrusted loans and deposits were as follows:

	31 December 2021	31 December 2020
	The Group and the Bank	The Group and the Bank
Entrusted deposits	(62,504,816)	(49,658,337)
Entrusted loans	62,504,816	49,658,337

#### 2 Entrusted wealth management

The Group and the Bank's entrusted wealth management is primarily unconsolidated non-principal guaranteed WMPs sold to enterprises or individuals. Details are set out in Note X.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XIV Transfer of financial assets

### 1 Credit asset securitisation

The Group transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, and may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Bank derecognises the transferred credit assets in their entirety. As at 31 December, 2021, the Group held asset-backed securities investments of RMB18 million (31 December 2020: Nil) in such credit asset securitisation transactions, which also approximated the Bank's maximum exposure to loss.

The original carrying amounts of the credit asset transfer in 2021 and 2020 were nil and RMB5.278 billion. The Group continues to involve in the transferred credit assets. As at 31 December 2021 and 31 December 2020, the Group's continuing involvement in assets were RMB735 million and RMB735 million respectively. As such, the Group recognised continuing involvement in assets and liabilities of the same amount (Note VI.17 (ii)).

### 2 Transfer of right to earnings or right to properties

The Group enters into transfer of right to earnings or right to properties of credit assets transactions by which it transfers the right to structured entities which sell share of trust to investors. The Group would analyse and judge whether to derecognise relevant credit assets according to the degree of retention of risks and rewards. The Group did not hold corresponding share in transfers of right to earnings and right to properties of credit assets transactions as at 31 December 2021 (2020: Nil), and the Group derecognised all transferred credit assets.

### 3 Transfer of non-performing loans

The Group transferred non-performing loans to third parties with an original carrying amount of RMB494 million in 2021 (2020: RMB16.744 billion). The Group transferred all the risks and rewards of these non-performing loans and therefore derecognised these transferred non-performing loans.

### 4 Securities lending transactions

In securities lending transactions, the counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2021, the Group has no balance of assets transferred in securities lending transactions (31 December 2020: nil).



## **XV Financial instruments and risk management**

### **Overview**

The Group's activities expose it to a variety of financial risks: market risk (primarily including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### **Risk management framework**

The Board of Directors has overall responsibility for the Group's risk management, and is responsible for determining the risk preference and risk tolerance; evaluating and discussing its objectives, strategies, policies and process towards significant risk management. The Risk Management Committee has been established under the Board of Directors, and it is responsible for reviewing and discussing the Group's risk management policies, system and the implementation plans of internal control establishment, evaluating the Group's risk management capability, and inspecting the Group's risk management strategies of credit risk, market risk, liquidity risk, operational risk and reputation risk. The senior management authorised to set up the Internal Control Compliance and Risk Management Committee and the Assets and Liabilities Management Committee under the management, to formulate the strategies, guidelines and policies of managing credit risk, market risk, interest rate risk of bank account, liquidity risk, operational risk and country risk; evaluate the effectiveness of the management policies; supervise the implementation of the policies; identify deficiencies and sort out follow-up solutions.

As a leading department, the Risk Management Department was responsible for the Group's overall risk management. The Risk Management Department, Credit Management Department, Retail Credit Department and Asset Management and Security Department are responsible for the enactment, implementation and management of the Group's internal control policies on credit risk. The Risk Management Department is responsible for the enactment, implementation and management of the Group's internal control policies on market risk, operational risk and country risk. The Assets and Liabilities Management Department is responsible for the enactment, implementation and management of the Group's internal control policies on liquidity risk and interest rate risk of bank account. The Legal and Compliance Department is responsible for enactment, implementation, inspection and management of the Group's compliance risk and information technology risk policies; while the Internal Auditing Department and the Regional Auditing Centre are responsible for the independent inspection, supervision and evaluation of the Group's business operation and risk control.

The amount and size of the subsidiaries and structured entities included in the consolidated financial statements by the Group are not significant, so the analysis is mainly based on financial risks faced by the Bank.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 1 Market risk

Market risk refers to the potential loss in both on-balance and off-balance sheet businesses of a bank caused by adverse changes of market prices (interest rates, exchange rates, goods price, stock prices and other prices). The market risk of the Bank primarily arises from the interest rate risk and exchange rate risk of the banking business.

The Bank has established a market risk management system framework according to the Commercial Bank Market Risk Management Guidance and other relevant policies. With the approval of the Board of Directors, the Bank has established Risk Management Committee to lead the market risk management of the Bank. The Internal Control Compliance and Risk Management Committee has been established under the Vice President and it is responsible for the establishment, periodical review and monitoring of policies, procedures and detailed operational regulations on market risk management, as well as the evaluation on the comprehensiveness of market risk management. The Risk Management Department is responsible for managing and monitoring market risk, and reporting to senior management and the Board of Directors independently. The Bank's risk control methods include, to identify, measure and monitor market risk through duration monitoring, exposure analysis, sensitivity analysis, and scenario analysis; to set up market risk limiting system for the Financial Market Department, which mainly consists of value at risk and sensitivity indicators, and to monitor the usage status of market risk limits. By performing deliberation procedures on the market risk of new products and complicated transactional business, the Bank will ensure that market risk of new business will be identified and assessed as early as possible. The Bank has executed the stress test for market risk under prudent condition. The Bank's market risk and capital management system can quantitatively manage and monitor the Bank's market risk and the liquidity risk and interest rate risk of bank account management system can provide auxiliary support for market risk management of bank account business.

The commodity price risk borne by the Bank mainly comes from gold and other precious metals. The risk of loss arises from the fluctuation of commodity prices. The Bank believes that the market risk arising from stock prices in transactions and portfolios and commodity prices (excluding gold) is not significant.

#### (1) Foreign exchange risk

The Bank's major transactions are denominated in RMB, part of transactions denominated in USD and HKD, and few transactions denominated in other foreign currencies. The Bank's foreign currency risk comprises exposures that arise from foreign currency portfolio originated from daily treasury business and loans and advances to customers, balances from financial institutions, investments and customer deposits.

The foreign currency risk of the trading book includes the risks arising from foreign currency transactions on behalf of the customers and the corresponding squared transactions, as well as proprietary foreign currency transactions. The Bank manages the foreign currency risk mainly by imposing quota on the transaction (including the quota on the exposure and stop loss). The Bank evaluates the foreign currency risk with pressure test. The retail foreign currency businesses are operated on an automated trading system and the Bank can monitor the exposure timely. The market risk management system of the Bank is able to measure and monitor the currency position created by various transactions that fall in the scope of the Bank's market risk management. Besides, the Bank manages its foreign currency risk through spot foreign exchange and derivative transactions, and manages its foreign currency assets and liabilities portfolio and structured position with appropriate derivative such as foreign swap contracts and cross-currency swap contracts.

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (1) Foreign exchange risk (continued)

As at 31 December 2021 and 2020, the Bank's foreign exchange risk exposures on assets and liabilities were as follows:

	31 December 2021				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	327,779,727	2,206,414	626,635	699,566	331,312,342
Due from banks and other financial institutions	3,518,525	4,127,999	1,389,292	602,524	9,638,340
Placements with banks and other financial institutions	37,998,682	22,466,868	-	-	60,465,550
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,931,536,973	26,860,636	6,597,848	4,760,946	1,969,756,403
Financial assets held for trading	142,346,465	609,510	-	-	142,955,975
Debt investments	406,802,432	1,283,885	-	-	408,086,317
Other debt investments	206,048,046	3,543,788	-	635,874	210,227,708
Other equity investments	1,507,261	607,041	-	-	2,114,302
Other assets	55,329,349	12,539	194,630	758,286	56,294,804
<b>Total assets</b>	<b>3,264,769,674</b>	<b>61,718,680</b>	<b>8,808,405</b>	<b>7,457,196</b>	<b>3,342,753,955</b>
Due to central banks	(27,650,213)	-	-	-	(27,650,213)
Due to banks and other financial institutions	(521,455,964)	(2,667,256)	(48,055)	(31)	(524,171,306)
Placements from banks and other financial institutions	(44,395,539)	(12,486,993)	(2,072,516)	(3,862,336)	(62,817,384)
Financial liabilities held for trading	(14,566)	-	-	-	(14,566)
Financial assets sold under repurchase agreements	(70,064,869)	-	-	-	(70,064,869)
Customer deposits	(2,047,698,801)	(27,865,997)	(10,382,756)	(8,825,651)	(2,094,773,205)
Bonds issued	(281,366,611)	(1,178,107)	(204,416)	-	(282,749,134)
Other liabilities	(44,623,958)	(1,418,581)	(335,998)	(61,441)	(46,439,978)
<b>Total liabilities</b>	<b>(3,037,270,521)</b>	<b>(45,616,934)</b>	<b>(13,043,741)</b>	<b>(12,749,459)</b>	<b>(3,108,680,655)</b>
<b>Net exposure in balance sheet</b>	<b>227,499,153</b>	<b>16,101,746</b>	<b>(4,235,336)</b>	<b>(5,292,263)</b>	<b>234,073,300</b>
Net nominal amount of derivative financial instruments	4,711,329	(6,112,043)	4,755,503	(2,035,685)	1,319,104
Loan commitments and financial guarantee contracts	1,281,350,075	16,588,196	554,096	4,057,471	1,302,549,838

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (1) Foreign exchange risk (continued)

As at 31 December 2021 and 2020, the Bank's foreign exchange risk exposures on assets and liabilities were as follows (continued):

	31 December 2020				
	RMB	USD	HKD	Others	Total
Cash and due from central banks	246,659,129	1,662,436	454,641	516,798	249,293,004
Due from banks and other financial institutions	4,383,471	8,808,836	1,306,094	821,107	15,319,508
Placements with banks and other financial institutions	95,480,041	1,712,580	547,121	245,155	97,984,897
Financial assets held under resale agreements	107,044,659	–	–	–	107,044,659
Loans and advances to customers	1,725,208,132	21,884,777	4,575,427	2,905,068	1,754,573,404
Financial assets held for trading	146,146,555	1,217,811	–	–	147,364,366
Debt investments	331,832,950	568,272	–	–	332,401,222
Other debt investments	238,250,327	4,229,638	–	1,319,645	243,799,610
Other equity investments	1,541,775	647,633	–	–	2,189,408
Other assets	46,649,872	414,029	90,469	2,206,406	49,360,776
<b>Total assets</b>	<b>2,943,196,911</b>	<b>41,146,012</b>	<b>6,973,752</b>	<b>8,014,179</b>	<b>2,999,330,854</b>
Due to central banks	(93,121,962)	–	–	–	(93,121,962)
Due to banks and other financial institutions	(463,517,858)	(1,322,202)	(78,488)	(34)	(464,918,582)
Placements from banks and other financial institutions	(11,305,925)	(4,811,176)	(2,528)	(546,929)	(16,666,558)
Financial liabilities held for trading	(15,980,797)	–	–	–	(15,980,797)
Financial assets sold under repurchase agreements	(85,124,335)	–	–	–	(85,124,335)
Customer deposits	(1,817,614,512)	(19,572,354)	(11,017,979)	(4,350,619)	(1,852,555,464)
Bonds issued	(221,916,699)	–	–	–	(221,916,699)
Other liabilities	(12,081,791)	(4,770,389)	(173,427)	(14,511,797)	(31,537,404)
<b>Total liabilities</b>	<b>(2,720,663,879)</b>	<b>(30,476,121)</b>	<b>(11,272,422)</b>	<b>(19,409,379)</b>	<b>(2,781,821,801)</b>
<b>Net exposure in balance sheet</b>	<b>222,533,032</b>	<b>10,669,891</b>	<b>(4,298,670)</b>	<b>(11,395,200)</b>	<b>217,509,053</b>
Net nominal amount of derivative financial instruments	16,454,739	(12,130,284)	2,513,648	10,036,159	16,874,262
Loan commitments and financial guarantee contracts	1,133,496,421	20,505,119	487,837	4,573,899	1,159,063,276

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (1) Foreign exchange risk (continued)

The following table presents the potential impacts of net exposure of foreign currency assets and liabilities and net position of currency derivatives on profit before tax if the spot exchange rate and forward exchange rate of Renminbi to foreign currencies simultaneously appreciate or depreciate by 5%.

	31 December 2021	31 December 2020
	Profit before tax	Profit before tax
Appreciate by 5%	159,096	(230,223)
Depreciate by 5%	(159,096)	230,223

The impacts on profit before tax and other comprehensive income are determined based on the assumption that the Bank's exchange rate sensitive position and net position of currency derivatives as at balance sheet dates remain unchanged. Based on management's judgement of foreign exchange rate changes, the Bank mitigates foreign currency risk by actively adjusting foreign currency exposure and using appropriate derivatives. The analysis does not take into consideration of the relevance among changes of different currency exchange rates, and the measures management may take to mitigate foreign currency risk. Therefore, the estimation of sensitivity analysis above may be different from actual results of foreign exchange rate changes.

#### (2) Interest rate risk

Interest rate risk is the likelihood of loss that may arise from movements in market interest rate. The Bank predicts interest rate risk exposure by studying future interest rate movements with various macroeconomic indicators, and predicts future funding movements and trends within the Group by referring to the Bank's funding costs, capital adequacy ratios, growth of loans and deposits and other factors, so as to study the interest rate risk appetite of the Bank.

The Bank mainly manages interest rate risk with establishment and adjustment of asset portfolio. Asset portfolio aims at diversifying risks and improves profitability with diversification of assets.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (2) Interest rate risk (continued)

At present the Renminbi interest rate risk mainly represents the risk arising from interest rate policy fluctuations and the mismatch of interest sensitive assets and liabilities. The Renminbi interest rate risk management of the Bank mainly includes:

- (i) Interest rate trend expectation. The Bank closely reviews the interest rate policies to identify the interest rate risk in order to justify interest rate risk limit and the control of risk exposure;
- (ii) Constraint of investment trade by risk benchmark. This is followed by regular reassessment;
- (iii) Modification of investment portfolio and financing structure based on the market expectation;
- (iv) Establishment of authorisation limit on Renminbi deposit and loan interest rate system;
- (v) Establishment of assets and liabilities management and internal transfer pricing system and adjustment of interest rate risk exposure by various financial tools.

The interest rate risk management of the Bank mainly includes:

- (i) Interest rate risk measurement. Currently, the Bank has realised the precise measurement of interest rate risk for assets and liabilities. The independent middle office of market risk management has commenced timely monitoring on open interest rate risk. The interest rate risk management system for deposit and loans accounts, i.e., Liquidity Risk and Bank Account Interest Rate Risk Management System is already in use;
- (ii) Determination of the interest rate risk limit. The appropriate interest rate exposure is determined based on the business development and the appetite of the Bank;

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (2) Interest rate risk (continued)

As at the balance sheet date, the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows:

	31 December 2021					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from central banks	327,434,452	-	-	-	3,877,890	331,312,342
Due from banks and other financial institutions	9,449,055	188,048	-	-	1,237	9,638,340
Placements with banks and other financial institutions	35,533,481	23,651,705	992,053	-	288,311	60,465,550
Financial assets held under resale agreements	151,794,168	-	-	-	108,046	151,902,214
Loans and advances to customers	737,084,115	899,678,759	268,482,314	58,638,644	5,872,571	1,969,756,403
Financial assets held for trading	3,964,894	7,089,234	16,287,611	16,041,543	99,572,693	142,955,975
Debt investments	25,918,970	58,682,975	172,661,545	145,750,888	5,071,939	408,086,317
Other debt investments	12,907,763	30,408,094	92,062,089	71,703,912	3,145,850	210,227,708
Other equity investments	-	-	-	-	2,114,302	2,114,302
Other assets	-	-	-	-	73,375,098	73,375,098
<b>Total assets</b>	<b>1,304,086,898</b>	<b>1,019,698,815</b>	<b>550,485,612</b>	<b>292,134,987</b>	<b>193,427,937</b>	<b>3,359,834,249</b>
Due to central banks	-	(27,000,000)	-	-	(650,213)	(27,650,213)
Due to banks and other financial institutions	(294,201,338)	(227,314,370)	-	-	(2,655,598)	(524,171,306)
Placements from banks and other financial institutions	(45,611,309)	(17,095,768)	-	-	(110,307)	(62,817,384)
Financial assets sold under repurchase agreements	(63,508,965)	(6,543,280)	-	-	(12,624)	(70,064,869)
Customer deposits	(1,555,575,894)	(261,162,391)	(242,176,199)	(6,553,789)	(29,304,932)	(2,094,773,205)
Bonds issued	(40,814,928)	(178,085,117)	(59,999,539)	(3,499,944)	(349,606)	(282,749,134)
Other liabilities	-	-	-	-	(63,178,446)	(63,178,446)
<b>Total liabilities</b>	<b>(1,999,712,434)</b>	<b>(717,200,926)</b>	<b>(302,175,738)</b>	<b>(10,053,733)</b>	<b>(96,261,726)</b>	<b>(3,125,404,557)</b>
<b>Asset-liability exposure</b>	<b>(695,625,536)</b>	<b>302,497,889</b>	<b>248,309,874</b>	<b>282,081,254</b>	<b>97,166,211</b>	<b>234,429,692</b>



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (2) Interest rate risk (continued)

As at the balance sheet date, the Bank's assets and liabilities categorised by the earlier of contractual maturity or repricing dates were as follows (continued):

	31 December 2020					Total
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and due from central banks	243,590,015	-	-	-	5,702,989	249,293,004
Due from banks and other financial institutions	10,529,021	3,041,413	1,748,272	-	802	15,319,508
Placements with banks and other financial institutions	51,427,188	42,076,477	3,984,702	-	496,530	97,984,897
Financial assets held under resale agreements	106,904,160	-	-	-	140,499	107,044,659
Loans and advances to customers	653,672,864	815,823,874	248,902,616	29,872,964	6,301,086	1,754,573,404
Financial assets held for trading	5,484,122	4,657,808	8,883,849	16,831,307	111,507,280	147,364,366
Debt investments	34,791,158	54,645,733	156,505,824	82,222,631	4,235,876	332,401,222
Other debt investments	33,716,623	31,518,657	86,458,891	88,806,878	3,298,561	243,799,610
Other equity investments	-	-	-	-	2,189,408	2,189,408
Other assets	-	-	-	-	78,001,919	78,001,919
<b>Total assets</b>	<b>1,140,115,151</b>	<b>951,763,962</b>	<b>506,484,154</b>	<b>217,733,780</b>	<b>211,874,950</b>	<b>3,027,971,997</b>
Due to central banks	(23,500,000)	(68,300,000)	-	-	(1,321,962)	(93,121,962)
Due to banks and other financial institutions	(393,311,972)	(69,476,728)	-	-	(2,129,882)	(464,918,582)
Placements from banks and other financial institutions	(16,412,880)	(245,373)	-	-	(8,305)	(16,666,558)
Financial assets sold under repurchase agreements	(80,157,355)	(4,959,150)	-	-	(7,830)	(85,124,335)
Customer deposits	(1,097,763,510)	(270,696,041)	(459,816,517)	(1,242,432)	(23,036,964)	(1,852,555,464)
Bonds issued	(67,606,170)	(115,341,233)	(34,490,280)	(3,499,941)	(979,075)	(221,916,699)
Other liabilities	-	-	-	-	(75,518,756)	(75,518,756)
<b>Total liabilities</b>	<b>(1,678,751,887)</b>	<b>(529,018,525)</b>	<b>(494,306,797)</b>	<b>(4,742,373)</b>	<b>(103,002,774)</b>	<b>(2,809,822,356)</b>
<b>Asset-liability exposure</b>	<b>(538,636,736)</b>	<b>422,745,437</b>	<b>12,177,357</b>	<b>212,991,407</b>	<b>108,872,176</b>	<b>218,149,641</b>

## XV Financial instruments and risk management (continued)

### 1 Market risk (continued)

#### (2) Interest rate risk (continued)

The table below illustrates the potential impact on the net interest income and other comprehensive income before tax over the next 12 months on the assumption of a 100 basis point parallel move of the relevant yield curve based on the structure of the Bank's interest-earning assets and interest-bearing liabilities at the end of the reporting period. The analysis assumes that the interest rates of all periods move at the same levels and does not reflect the scenarios where some interest rates change while others remain constant.

The sensitivity analysis on net interest income is based on possible changes in the expectation of interest rate. It is assumed that the structure of the holdings of financial assets and financial liabilities remains constant, while customer behaviour, basis risk or the option of premature repayment on debt are not considered.

The sensitivity analysis on other comprehensive income refers to the impact of changes in certain interest rates on the fair value changes arising from reassessment of other debt investments and other equity instrument investments measured at fair value through other comprehensive income as at balance sheet dates.

	31 December 2021		31 December 2020	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
+ 100 basis points	1,772,738	(4,911,755)	(2,743,667)	(6,187,016)
– 100 basis points	(1,772,738)	5,285,130	2,743,667	6,698,942

The related assumptions do not consider the measures the Bank may take to mitigate interest rate risk due to capital utilisation and interest rate risk management policies. Therefore, the results of the analysis above may be different from actual conditions.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the estimated changes in net interest income and other comprehensive income under different parallel move of the relevant yield curve and the Bank's current exposure to interest rate risk other than derivative financial instruments.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor to meet its obligation or commitment to the Bank. It arises primarily from the Bank's credit asset portfolios.

Concentration of credit risk: When a certain number of customers conduct the same operating activities, are situated in the same geographical location or their industries have similar economic characteristics, their ability to honour their contracts would be influenced by the same economic change. Concentration of credit risk reflects the sensitivity of the Bank's results to a specific industry or geographical location. The Bank formulates credit risk asset portfolio limits from the dimensions of region, industry, customer, product, and maturity based on the principle of credit risk asset portfolio management. The principal place of business of the Bank is Mainland China. However, Mainland China covers a wide range of land with specific characteristics developed for the economy of each region (e.g., some regions are designated by the central government as special economic zones to attract investment). As a result, the risks among regions differ.

To identify, evaluate and monitor credit risk, the Bank designs reporting structure, credit policies and processes required for effective credit risk management and implements systematic control procedures. As approved by the Board of Directors, the Bank optimises its credit approval process, in which both management and control of credit risks are reinforced while function and responsibilities of credit approval section are further specified. The Vice President in charge of risk is responsible for all the operations regarding the Bank's risk management, and also leads relevant departments to formulate the credit policies and standards from time to time, to analyse the development of credit business and the level of risk management, and to approve loans with amounts not exceeding the authorised limit in accordance with relevant rules, regulations and monetary policies in the PRC and the Bank's business strategy.

With respect to the credit risk management of corporate and institutional business, the Bank develops the industry-specific guidelines, improves policies of credit client acceptance and decline, and implements its credit structure adjustment policies and credit risk limit management, which facilitates the improvement in credit structure. The Bank manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the personal credit business, the Bank relies on credit assessment of applicants as the basis for loan approval. Assessment on the income level, credit history, and repayment ability of the applicant is required. The Bank monitors borrowers' repayment ability, the status of collateral and any changes to collateral's value. Once a loan becomes overdue, the Bank starts the recovery process according to standard personal loan recovery procedures.

To mitigate risks, where appropriate, the Bank requests customers to provide collateral and guarantees. It also sets guidelines as to the use and suitability of specific types of collateral. Collateral structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-disbursement loan management and collateral requirements as for loans and advances to customers.

## **XV Financial instruments and risk management (continued)**

### **2 Credit risk (continued)**

The Bank has individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Bank's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Bank has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, bonds and equities
- Accounts receivables and right to receive payments
- Inventory

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Bank will request for early loan repayment or seek additional collateral from counterparties, require additional guarantors.

#### ***Grouping of similar credit risk***

The Bank has classified exposures with similar risk characteristics when the provision for ECL is made on a grouping basis. The main grouping reference indicators currently include industry, business type, and method of collateral and pledge.

#### ***Credit risk measurement***

##### ***Measurement of ECL***

According to the changes of credit risk of financial instruments since the initial recognition, the Bank calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increase in credit risk since initial recognition are included in Stage 1 to calculate their provision for impairment at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their provision for impairment measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their provision for impairment measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the provision for impairment has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Bank will measure the provision for impairment of the financial instruments on the balance sheet date of the current period on the 12-month ECL basis.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### *Credit risk measurement (continued)*

##### *Measurement of ECL (continued)*

For purchased or originated credit-impaired financial assets, the Bank only recognises the lifetime cumulative change in ECL since initial recognition on the financial reporting date as provision for impairment. On each financial reporting date, the Bank recognises the amount of the changes in lifetime ECL as an impairment losses or gains in profit or loss for the current period.

The Bank shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

It is not necessary to identify every possible situation when measuring the ECL. However, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the likelihood of a credit loss occurring and the likelihood that a credit loss will not occur, even if the likelihood of such a loss is extremely low.

The Bank conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions involve future macro-economic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired assets
- Parameters for measuring ECL
- Forward-looking information
- Modification of contract cash flows

When considering forward-looking information, the Bank takes different economic scenarios into consideration. The Bank regularly monitors and reviews assumptions and parameters related to the calculation of ECL, including the risk of economic downturn, external market environment, changes in customer conditions, Gross Domestic Product ("GDP") and Consumer Price Index ("CPI"), etc.

## **XV Financial instruments and risk management (continued)**

### **2 Credit risk (continued)**

#### ***Credit risk measurement (continued)***

##### *Measurement of ECL (continued)*

##### Internal credit risk rating

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 sixteen levels. Internal credit risk rating is based on quantitative and qualitative factors.

##### Criteria for judging significant increase in credit risk

The Bank assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Bank takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Bank and external credit risk rating. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Bank compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Bank determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include overdue days exceeding 30 days, a significant decline in internal credit ratings, credit risk classification as "Special mention", and other circumstances that indicates credit risk changes significantly.

The Bank adheres to the estimate of substantial risk, taking into account the changes in the operating ability and debt paying ability of the borrower and the situation affected by the pandemic to assess whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. For borrowers affected by the pandemic who take temporary credit support measures such as deferred repayment of principal and interest or deferred repayment, the Bank shall not consider such measures as automatic triggers of significant increase in credit risk in accordance with the guidance of relevant regulatory authorities.

##### Definition of credit-impaired assets

The standard adopted by the Bank to determine whether a credit impairment occurs under New Financial Instrument Standards is consistent with the internal credit risk management objectives of the relevant financial instruments, taking into account quantitative and qualitative criteria. When the Bank assesses whether there is credit impairment of debtor, the following factors are mainly considered:

- Be classified into Substandard, Doubtful or Loss category within five-tier loan classification;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Bank overdue for more than 90 days;
- Internal credit rating is defaulted.

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### *Credit risk measurement (continued)*

##### *Measurement of ECL (continued)*

##### Definition of credit-impaired assets (continued)

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

##### Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Bank measures the impairment loss for different assets with 12-month ECL or lifetime ECL. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of New Financial Instrument Standards, the Bank takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Bank's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Bank's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the difference of credit products, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure after the time of default, based on historical statistics, the loss rate may be different in various economic environments;
- EAD is the amount that the Bank should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.



## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### *Credit risk measurement (continued)*

##### *Measurement of ECL (continued)*

##### Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Bank identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, Case-Shiller index.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Bank combined statistic model and experts' judgement in this process, according to the result of model and experts' judgement, the Bank predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Bank combines statistic model with experts' judgement to determine the weight of other possible scenarios. The Bank measures the weighted average 12-month ECL (Stage 1) or lifetime ECL (Stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

During the reporting period, the Bank updated forward-looking information such as key economic indicators based on changes in the current macroeconomic environment.

With the quarter-on-quarter changes of GDP and M2 as examples, the estimations are calculated under the benchmark, optimistic and pessimistic scenarios through the statistical model based on actual historical data. The details are presented below:

Indicator	Average estimation under the benchmark in 2022
Quarter-on-quarter changes of GDP	5.60%
Quarter-on-quarter changes of M2	7.35%

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### *Credit risk measurement (continued)*

##### *Measurement of ECL (continued)*

##### Sensitive information

Changes in parameters for measuring ECL and in forward-looking information can have an impact on the judgement of significant increase in credit risk and the measurement of ECL.

As at 31 December 2021, the Bank's provision for credit impairment would be decreased by no more than 2% of the current provision for credit impairment in case of a 5% increase in the weight of the optimistic scenario and a 5% decrease in the weight of the basic scenario. The Bank's provision for credit impairment would be increased by no more than 2% of the current provision for credit impairment in case of a 5% increase in the weight of the pessimistic scenario and a 5% decrease in the weight of the basic scenario.

##### Modification of contractual cash flows

If the Bank amends or rearranges the contract with its counterparty, which does not result in the derecognition of the financial assets, but changes the contractual cash flows, the Bank shall assess the default risk of the modified asset at the reporting date by comparing it with the risk of default at initial recognition under the original terms when the modification of the contract does not result in a material change or derecognition of the original asset. The gross carrying amount of the financial asset shall be recalculated and related gains or losses shall be recognised in profit or loss for the current period. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Bank monitors the subsequent performance of modified assets. If the Bank concludes that the credit risk has significantly improved after modification, the assets are moved from Stage 3 or Stage 2 to Stage 1 when certain conditions are met, and the provision for impairment is calculated on the 12-month ECL basis instead of the lifetime ECL basis. As at 31 December 2021, the carrying amount of financial assets modified by such contractual cash flows is not significant.

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### Credit risk measurement (continued)

##### Measurement of ECL (continued)

#### (1) Maximum credit risk exposure

##### Maximum exposure to credit risk before considering collateral held or other credit enhancements

Without taking into account of any collateral held or any other credit enhancement, the maximum credit risk exposure at the end of each period represents the worst scenario. The Bank's credit risk exposure arises mainly from its credit business as well as its treasury business. In addition, the Bank is also exposed to credit risk for off-balance sheet items such as loan commitments, unused credit card limits, bank acceptance notes, issuance of guarantees and warranties and letters of credit.

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
Due from banks and other financial institutions	9,636,340	2,000	-	-	9,638,340
Due from central banks	327,717,542	-	-	-	327,717,542
Placements with banks and other financial institutions	60,465,550	-	-	-	60,465,550
Financial assets held for trading	-	-	-	44,353,740	44,353,740
Derivative financial assets	-	-	-	17,080,294	17,080,294
Financial assets held under resale agreements	151,902,214	-	-	-	151,902,214
Loans and advances to customers	1,914,021,043	45,104,960	10,630,400	-	1,969,756,403
Other debt investments	210,182,015	-	45,693	-	210,227,708
Debt investments	404,409,356	1,078,314	2,598,647	-	408,086,317
Other assets	12,057,206	138,723	187,428	-	12,383,357
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,278,988,697	20,118,849	610,252	-	1,299,717,798
Total	4,369,379,963	66,442,846	14,072,420	61,434,034	4,511,329,263

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### Credit risk measurement (continued)

Measurement of ECL (continued)

#### (1) Maximum credit risk exposure (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Credit risk exposures relating to on-balance sheet assets are as follows					
Due from banks and other financial institutions	15,319,508	–	–	–	15,319,508
Due from central banks	245,658,528	–	–	–	245,658,528
Precious metals	–	–	–	2,133,639	2,133,639
Placements with banks and other financial institutions	97,805,897	–	179,000	–	97,984,897
Financial assets held for trading	–	–	–	54,376,999	54,376,999
Derivative financial assets	–	–	–	28,641,143	28,641,143
Financial assets held under resale agreements	107,044,659	–	–	–	107,044,659
Loans and advances to customers	1,715,177,897	28,109,421	11,286,086	–	1,754,573,404
Other debt investments	243,737,130	–	62,480	–	243,799,610
Debt investments	326,599,846	3,266,897	2,534,479	–	332,401,222
Other assets	66,389	55,477	155,723	9,010,569	9,288,158
Off-balance sheet items					
Loan commitments and financial guarantee contracts	1,144,597,765	10,425,950	1,656,979	–	1,156,680,694
Total	3,896,007,619	41,857,745	15,874,747	94,162,350	4,047,902,461

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### (2) Credit quality analysis of financial assets

	31 December 2021				
	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	32,674,301	379,000	403,313	7,429,701	490,596
Provision for impairment	(22,043,901)	(379,000)	(403,313)	(4,785,361)	(303,168)
Sub-total	10,630,400	-	-	2,644,340	187,428
Overdue but not credit impaired					
Overdue within 3 months	8,589,532	-	-	900,181	222,468
Provision for impairment	(3,142,075)	-	-	(198,225)	-
Sub-total	5,447,457	-	-	701,956	222,468
Neither overdue nor credit impaired	1,981,115,649	70,295,988	151,902,214	660,072,705	11,973,461
Provision for impairment	(27,437,103)	(192,098)	-	(751,236)	-
Sub-total	1,953,678,546	70,103,890	151,902,214	659,321,469	11,973,461
Total	1,969,756,403	70,103,890	151,902,214	662,667,765	12,383,357

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### (2) Credit quality analysis of financial assets (continued)

31 December 2020

	Loans and advances to customers	Due from/ Placements with other financial institutions	Financial assets held under resale agreements	Investment (i)	Others (ii)
Gross amount of credit impaired	34,606,831	379,000	403,313	6,586,855	556,546
Provision for impairment	(23,320,745)	(200,000)	(403,313)	(4,036,193)	(331,368)
Sub-total	11,286,086	179,000	–	2,550,662	225,178
Overdue but not credit impaired					
Overdue within 3 months	5,274,074	–	–	–	121,866
Provision for impairment	(1,674,319)	–	–	–	–
Sub-total	3,599,755	–	–	–	121,866
Neither overdue nor credit impaired	1,764,100,513	113,254,440	107,044,659	628,833,183	11,074,753
Provision for impairment	(24,412,950)	(129,035)	–	(806,014)	–
Sub-total	1,739,687,563	113,125,405	107,044,659	628,027,169	11,074,753
Total	1,754,573,404	113,304,405	107,044,659	630,577,831	11,421,797

(i) Investments comprise financial assets held for trading, debt investments, other debt investments.

(ii) Others comprise interest receivable, suspense account for clearing and other receivables.

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### (3) Credit rating of debt investments as at the balance sheet date by rating agencies

Credit rating	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2021				
AAA	22,838,735	192,517,030	87,381,412	302,737,177
AA+ to AA-	1,226,434	51,928	403,411	1,681,773
AA to AA -	-	364,028	5,218,215	5,582,243
BBB or below	5,370	254,504	3,620,861	3,880,735
Unrated				
– Government bonds	2,420,722	84,364,349	46,203,808	132,988,879
– Financial institution bonds	6,757,472	47,876,488	66,945,443	121,579,403
– Interbank deposits	-	-	-	-
– Asset-backed securities	-	-	-	-
– Corporate bonds	567,561	52,918	454,558	1,075,037
– Fund trust and asset management plans	10,837,721	20,717,359	-	31,555,080
– Fund investment	98,301,960	-	-	98,301,960
– Debt financing plan	-	61,887,713	-	61,887,713



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 2 Credit risk (continued)

#### (3) Credit rating of debt investments as at the balance sheet date by rating agencies (continued)

Credit rating	Financial assets held for trading	Debt investments	Other debt investments	Total
31 December 2020				
AAA	25,978,899	127,919,900	108,706,974	262,605,773
AA+ to AA-	1,031,753	–	313,329	1,345,082
A+ to A-	2,071,816	26,889,409	40,328,260	69,289,485
BBB or below	–	–	–	–
Unrated	–	–	–	–
– Government bonds	3,702,438	50,528,677	92,798,440	147,029,555
– Financial institution bonds	–	24,552,168	884,559	25,436,727
– Interbank deposits	–	–	–	–
– Asset-backed securities	–	–	–	–
– Corporate bonds	601,429	52,809	768,048	1,422,286
– Fund trust and asset management plans	21,545,159	50,833,189	–	72,378,348
– Fund investments	92,432,872	–	–	92,432,872
– Debt financing plan	–	51,625,070	–	51,625,070

Unrated bonds mainly comprise investments and trading securities issued by the Ministry of Finance, central bank, policy banks and other financial institutions that are market credit issuers but have not yet been rated by independent rating agencies.

## XV Financial instruments and risk management (continued)

### 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.

In accordance with the principle of separation of policy formulation, implementation and supervision functions, the Bank has established a governance structure for liquidity risk management. It defines the functions, responsibilities and reporting lines of the Board of Directors and its special committees, the Board of Supervisors, the senior management, the Assets and Liabilities Management Committee and relevant departments to improve the effectiveness of liquidity risk management.

The Bank strictly enforces regulatory requirements and the Bank's internal policies, adheres to a sound and prudent liquidity risk management strategy in accordance with the liquidity risk appetite requirements set by the Board of Directors, strengthens day-to-day liquidity management, increases the allocation of high-quality liquid assets, maintains moderate and reasonable provision and ensures a safe and smooth payment clearing process. The Bank continuously optimises the asset and liability structure and prudently manages risk exposures. Through internal transfer price instruments, the Bank proactively adjusts the total amount, structure and cash flow gap limits of assets and liabilities, extends the duration of liabilities, improves the stability of liabilities and narrows the maturity mismatch. The Bank applies a variety of liquidity risk management tools and techniques to measure, assess, monitor and control bank-wide liquidity risk indicators, conducts quarterly the liquidity risk stress tests to analyse the liquidity risk tolerance and risk mitigation capacity under various scenarios. In addition, the Bank conducts liquidity emergency drills regularly to verify the effectiveness and timeliness of emergency measures, to ensure a safe and smooth liquidity situation for the Bank under various contingencies.

#### (1) Undiscounted contractual cash flows categorised by contractual maturities

	31 December 2021								Total
	Overdue	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	-	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	-	8,668,581	463,932	317,409	188,966	-	-	-	9,638,888
Placements with banks and other financial institutions	-	-	22,970,113	12,759,673	24,342,335	1,042,192	-	-	61,114,313
Financial assets held under resale agreements	-	-	151,981,798	-	-	-	-	-	151,981,798
Loans and advances to customers (i)	-	298,687,736	96,337,511	164,430,176	565,177,118	436,903,478	680,268,590	11,478,038	2,253,282,647
Financial assets held for trading	141,750	99,156,730	3,414,278	639,138	8,234,519	18,920,572	17,923,278	-	148,430,265
Debt investments	3,300,603	-	2,738,334	23,273,178	69,778,095	205,087,698	166,160,598	-	470,338,506
Other debt investments	5,693	-	8,170,311	341,910	35,762,935	109,488,509	80,982,554	-	240,791,912
Other equity investments	-	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	152,924	15,378	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total non-derivative assets	3,640,970	570,381,972	296,988,730	207,828,611	704,043,285	771,673,911	945,355,486	182,438,303	3,682,351,268

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

	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
Due to central banks	-	-	(2,304,184)	(23,005,395)	(5,703,069)	-	-	-	(31,012,648)
Due to banks and other financial institutions	-	(40,338,681)	(126,124,139)	(126,856,382)	(233,936,277)	-	-	-	(527,255,479)
Placements from banks and other financial institutions	-	-	(33,945,326)	(11,771,141)	(17,205,000)	-	-	-	(62,921,467)
Financial assets sold under repurchase agreements	-	-	(58,328,873)	(5,284,786)	(6,651,251)	-	-	-	(70,264,910)
Financial liabilities held for trading	-	(9,823)	-	-	-	(4,743)	-	-	(14,566)
Customer deposits	-	(840,946,415)	(618,313,125)	(113,306,540)	(275,183,566)	(265,441,148)	(7,548,719)	-	(2,120,739,513)
Bonds issued	-	-	(23,685,618)	(17,238,725)	(181,150,778)	(60,321,140)	(3,525,515)	-	(285,192,776)
Other liabilities	-	(420,442)	(3,890,452)	(472,951)	(1,309,063)	(3,593,036)	(707,216)	(52,186)	(10,445,346)
Total non-derivative liabilities	-	(881,715,361)	(866,591,717)	(297,935,920)	(721,139,004)	(329,360,067)	(11,781,450)	(52,186)	(3,108,575,705)
Net position	3,249,638	(311,333,389)	(569,602,987)	(90,107,309)	(17,095,719)	442,313,844	933,574,036	182,386,117	573,775,563
Derivative financial instruments settled on a total basis									
Cash inflows	-	6,540,104	126,156,290	94,446,658	202,400,432	4,582,481	-	-	434,125,965
Cash outflows	-	(6,539,626)	(126,347,869)	(94,204,939)	(199,595,355)	(4,526,693)	-	-	(431,214,482)
Derivative financial instruments settled on a net basis	-	-	6,592	(15,606)	8,328	(44,143)	-	-	(44,829)

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

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
Cash and due from central banks	-	83,487,128	-	85,734	-	-	-	165,720,142	249,293,004
Due from banks and other financial institutions	-	10,529,823	-	-	3,041,413	1,748,272	-	-	15,319,508
Placements with banks and other financial institutions	179,000	-	26,166,899	25,820,560	42,937,371	4,071,487	-	-	99,175,317
Financial assets held under resale agreements	-	-	107,093,832	-	-	-	-	-	107,093,832
Loans and advances to customers (i)	-	277,005,279	85,441,971	151,408,767	502,459,508	410,542,869	581,495,929	12,630,554	2,020,984,877
Financial assets held for trading	-	113,250,648	1,974,977	1,447,838	5,545,011	12,079,702	19,843,071	-	154,141,247
Debt investments	2,488,674	-	11,017,564	24,268,586	64,041,583	180,020,533	96,620,500	-	378,457,440
Other debt investments	111,347	-	5,839,809	28,834,810	36,310,645	105,641,000	102,421,724	-	279,159,335
Other equity investments	-	-	-	-	-	-	-	2,189,408	2,189,408
Other assets	25,276	481,059	6,572,780	139,133	5,314,502	187,713	787,496	2,321,122	15,829,081
Total non-derivative assets	2,804,297	484,753,937	244,107,832	232,005,428	659,650,033	714,291,576	801,168,720	182,861,226	3,321,643,049

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (1) Undiscounted contractual cash flows categorised by contractual maturities (continued)

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
Due to central banks	-	-	(21,889,097)	(2,373,658)	(70,342,833)	-	-	-	(94,605,588)
Due to banks and other financial institutions	-	(95,223,606)	(33,980,987)	(267,523,040)	(48,362,832)	-	-	-	(445,090,465)
Placements from banks and other financial institutions	-	-	(15,386,940)	(1,041,039)	(245,831)	-	-	-	(16,673,810)
Financial assets sold under repurchase agreements	-	-	(75,022,565)	(5,180,124)	(4,995,378)	-	-	-	(85,198,067)
Financial liabilities held for trading	-	-	-	(5,625,538)	(9,679,029)	(676,230)	-	-	(15,980,797)
Customer deposits	-	(785,474,869)	(155,816,161)	(171,177,765)	(286,615,112)	(493,593,727)	(1,411,507)	-	(1,894,089,141)
Bonds issued	-	-	(9,370,000)	(58,874,524)	(117,494,551)	(34,500,000)	(3,500,000)	-	(223,739,075)
Other liabilities	-	(1,043,916)	(1,201,086)	(75,744)	(692,640)	(244,992)	(776,648)	(107,651)	(4,142,677)
Total non-derivative liabilities	-	(881,742,391)	(312,666,836)	(511,871,432)	(538,428,206)	(529,014,949)	(5,688,155)	(107,651)	(2,779,519,620)
Net position	2,804,297	(396,988,454)	(68,559,004)	(279,866,004)	121,221,827	185,276,627	795,480,565	182,753,575	542,123,429
Derivative financial instruments settled on a total basis									
Cash inflows	-	8,830,037	152,167,667	171,352,137	325,526,863	15,135,101	-	-	673,011,805
Cash outflows	-	(7,754,419)	(189,453,944)	(172,969,513)	(334,224,436)	(14,593,027)	-	-	(718,995,339)
Derivative financial instruments settled on a net basis	-	-	19,785	5,674	21,551	44,286	(475)	-	90,821

- (i) For loans and advances to customers, the “indefinite” period represents the balance being impaired or not impaired and overdue for more than one month. The balance not impaired and overdue within one month is included in “overdue”. They are disclosed with net amount measured at cost less impairment.

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (2) Maturity analysis

The table below summarises the maturity analysis of the carrying amount of assets and liabilities based on the remaining maturity from the balance sheet date to the contract maturities:

	31 December 2021								Total
	Overdue	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	-	163,853,547	-	-	-	-	-	167,458,795	331,312,342
Due from banks and other financial institutions	-	8,668,581	463,742	317,332	188,685	-	-	-	9,638,340
Placements with banks and other financial institutions	-	-	22,967,382	12,649,876	23,855,475	992,817	-	-	60,465,550
Financial assets held under resale agreements	-	-	151,902,214	-	-	-	-	-	151,902,214
Loans and advances to customers	-	298,693,892	96,396,060	164,092,594	556,488,071	386,152,558	456,455,190	11,478,038	1,969,756,403
Derivative financial assets	-	5,626	1,263,341	1,259,427	5,426,456	9,121,589	3,855	-	17,080,294
Financial assets held for trading	141,202	99,156,730	3,382,343	546,768	7,399,778	16,287,611	16,041,543	-	142,955,975
Debt investments	3,300,603	-	1,537,033	21,251,133	59,256,492	174,905,023	147,836,033	-	408,086,317
Other debt investments	45,693	-	7,572,815	5,349,628	30,708,793	93,438,710	73,112,069	-	210,227,708
Other equity investments	-	-	-	-	-	-	-	2,114,302	2,114,302
Other assets	152,924	15,378	10,912,453	67,127	559,317	231,462	20,466	1,387,168	13,346,295
Total assets	3,640,422	570,393,754	296,397,383	205,533,885	683,883,067	681,129,770	693,469,156	182,438,303	3,316,885,740

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (2) Maturity analysis (continued)

	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
Due to central banks	-	-	-	(22,010,497)	(5,639,716)	-	-	-
Due to banks and other financial institutions	-	(40,339,373)	(126,026,891)	(126,292,191)	(231,512,851)	-	-	-
Placements from banks and other financial institutions	-	-	(33,932,506)	(11,756,837)	(17,128,041)	-	-	-
Financial assets sold under repurchase agreements	-	-	(58,296,260)	(5,225,329)	(6,543,280)	-	-	-
Financial liabilities held for trading	-	(9,823)	-	-	-	(4,743)	-	-
Derivative financial liabilities	-	(4,949)	(1,493,848)	(1,166,161)	(5,001,735)	(9,054,085)	(3,124)	-
Customer deposits	-	(840,946,415)	(616,335,964)	(110,872,649)	(267,793,736)	(252,117,131)	(6,707,310)	-
Bonds issued	-	-	(23,651,142)	(17,163,786)	(178,088,069)	(60,320,678)	(3,525,459)	-
Other liabilities	-	(420,459)	(3,890,235)	(469,850)	(1,282,626)	(3,262,340)	(550,972)	(52,186)
Total liabilities	-	(881,721,019)	(863,626,846)	(294,957,300)	(712,990,054)	(324,758,977)	(10,786,865)	(52,186)
Net liquidity	3,640,422	(311,327,265)	(567,229,463)	(89,423,415)	(29,106,987)	356,370,793	682,682,291	182,386,117



## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (2) Maturity analysis (continued)

The table below summarises the maturity analysis of the carrying amount of financial assets and financial liabilities based on the remaining maturity from the balance sheet date to the contract maturities:

	31 December 2020								Total
	Overdue	On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Cash and due from central banks	-	83,487,128	-	85,734	-	-	-	165,720,142	249,293,004
Due from banks and other financial institutions	-	10,529,823	-	-	3,041,413	1,748,272	-	-	15,319,508
Placements with banks and other financial institutions	179,000	-	26,152,546	25,431,037	42,237,612	3,984,702	-	-	97,984,897
Financial assets held under resale agreements	-	-	107,044,659	-	-	-	-	-	107,044,659
Loans and advances to customers	-	277,005,279	85,361,853	150,969,821	492,426,062	358,802,405	377,919,289	12,088,695	1,754,573,404
Derivative financial assets	-	6,930	3,018,773	4,878,535	8,568,259	12,161,579	7,067	-	28,641,143
Financial assets held for trading	-	113,250,648	1,973,526	1,439,619	4,985,417	8,883,849	16,831,307	-	147,364,366
Debt investments	2,488,674	-	10,638,833	23,279,636	57,002,887	156,768,561	82,222,631	-	332,401,222
Other debt investments	111,347	-	5,732,167	27,947,873	32,638,445	87,116,930	90,252,848	-	243,799,610
Other equity investments	-	-	-	-	-	-	-	2,189,408	2,189,408
Other assets	25,276	508,146	6,619,859	393,557	5,409,884	337,554	788,120	35,278,380	49,360,776
<b>Total assets</b>	<b>2,804,297</b>	<b>484,787,954</b>	<b>246,542,216</b>	<b>234,425,812</b>	<b>646,309,979</b>	<b>629,803,852</b>	<b>568,021,262</b>	<b>215,276,625</b>	<b>3,027,971,997</b>

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (2) Maturity analysis (continued)

	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
Due to central banks	-	-	(21,854,898)	(2,364,199)	(68,902,865)	-	-	-	(93,121,962)
Due to banks and other financial institutions	-	(95,223,606)	(33,915,428)	(266,019,396)	(69,760,152)	-	-	-	(464,918,582)
Placements from banks and other financial institutions	-	-	(15,381,362)	(1,039,633)	(245,563)	-	-	-	(16,666,558)
Financial assets sold under repurchase agreements	-	-	(75,003,046)	(5,162,139)	(4,959,150)	-	-	-	(85,124,335)
Financial liabilities held for trading	-	-	-	(5,625,538)	(9,679,029)	(676,230)	-	-	(15,980,797)
Derivative financial liabilities	-	(9,092)	(2,897,262)	(4,963,468)	(8,359,981)	(11,762,860)	(7,892)	-	(28,000,555)
Customer deposits	-	(785,474,869)	(153,709,921)	(167,648,824)	(274,971,480)	(469,498,614)	(1,251,756)	-	(1,852,555,464)
Bonds issued	-	-	(9,357,366)	(58,673,328)	(115,895,784)	(34,490,280)	(3,499,941)	-	(221,916,699)
Other liabilities	-	(5,164,347)	(2,523,990)	(3,753,898)	(9,102,514)	(1,328,175)	(825,992)	(8,838,488)	(31,537,404)
Total liabilities	-	(885,871,914)	(314,643,273)	(515,250,423)	(561,876,518)	(517,756,159)	(5,585,581)	(8,838,488)	(2,809,822,356)
Net liquidity	2,804,297	(401,083,960)	(68,101,057)	(280,824,611)	84,433,461	112,047,693	562,435,681	206,438,137	218,149,641

## XV Financial instruments and risk management (continued)

### 3 Liquidity risk (continued)

#### (3) Off-balance sheet items

The off-balance sheet items of the Bank are mainly unused credit card limits, loan commitments, bank acceptance notes, issuance of guarantees and warranties and issuance of letters of credit. The following table sets out the amounts of off-balance sheet items by the maturity date of the contract, with financial guarantee contracts shown in nominal amounts by the earliest maturity date of the contract.

	31 December 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Undrawn credit facilities	807,857,673	–	–	807,857,673
Loan commitments	2,759,959	9,874,953	20,119,213	32,754,125
Bank acceptance notes	355,920,934	–	–	355,920,934
Guarantee and letters of guarantee issued	33,755,105	15,255,065	2,151,279	51,161,449
Letters of credit issued	54,620,863	234,794	–	54,855,657
Total	1,254,914,534	25,364,812	22,270,492	1,302,549,838

	31 December 2020			
	Within 1 year	1 to 5 years	Over 5 years	Total
Undrawn credit facilities	700,836,850	–	–	700,836,850
Loan commitments	966,548	5,649,525	13,232,965	19,849,038
Bank acceptance notes	346,144,738	–	–	346,144,738
Guarantee and letters of guarantee issued	27,064,629	10,843,548	4,552,043	42,460,220
Letters of credit issued	49,581,854	190,576	–	49,772,430
Total	1,124,594,619	16,683,649	17,785,008	1,159,063,276

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 4 Fair value estimates

#### *Determination of fair value of financial instruments*

The Bank's financial assets and liabilities mainly include cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets and liabilities at fair value through profit or loss, derivative financial instruments, financial assets held under resale agreements, loans and advances to customers, financial assets at amortised cost, financial assets at fair value through other comprehensive income, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and bonds issued.

- (i) Financial assets including cash and due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, and financial liabilities including borrowings from central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts are the approximation of the fair value.
- (ii) Financial assets and liabilities at fair value through profit or loss, derivative financial instruments and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value is unable to be measured. For the financial instruments in active open market, the Bank adopts market price or market interest rate as the best estimate for their fair value. For the financial instruments without market price or market interest rate, the Bank determines the fair value of these financial assets and financial liabilities by discounted cash flows or other valuation methods.
- (iii) The fair value of financial assets at amortised cost and bonds issued are usually determined with reference to the available market price or quotation from brokers or agents. If the relevant market information cannot be obtained, the Bank will refer to the yield of the securities products with similar characteristics such as credit risk and maturity, to estimate the fair value based on pricing model or discounted cash flows.
- (iv) Loans and advances to customers are listed at the net amount after deducting the provision for impairment. Most loans and advances to customers are priced at floating rates similar to the PBOC interest rate. Therefore, the carrying amounts of these loans and advances to customers are reasonable approximation of their fair values.
- (v) Customer deposits are mostly demand deposits or time deposits within one year, priced at floating rates or short-term rates approximating PBOC interest rate. Therefore, the carrying amounts of these customer deposits are reasonable approximation of their fair values.

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.
- Level 3: Unobservable inputs for the asset or liability.

## XV Financial instruments and risk management (continued)

### 4 Fair value estimates (continued)

#### (1) Assets and liabilities measured at fair value on a recurring basis

As at 31 December 2021, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis as at 31 December 2021				
Precious metals	1,105,481	–	–	1,105,481
Financial assets held for trading	–	132,118,254	10,837,721	142,955,975
Derivative financial assets	–	17,080,294	–	17,080,294
Loans and advances to customers	–	240,883,672	–	240,883,672
Other debt investments	4,180,126	206,047,582	–	210,227,708
Other equity investments	791,384	–	1,322,918	2,114,302
Total assets measured at fair value on a recurring basis	6,076,991	596,129,802	12,160,639	614,367,432
Liabilities				
Financial liabilities held for trading	–	(14,566)	–	(14,566)
Derivative financial liabilities	–	(16,723,902)	–	(16,723,902)
Total liabilities measured at fair value on a recurring basis	–	(16,738,468)	–	(16,738,468)

As at 31 December 2020, the assets measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis as at 31 December 2020				
Precious metals	2,133,639	–	–	2,133,639
Financial assets held for trading	–	125,819,208	21,545,158	147,364,366
Derivative financial assets	–	28,641,143	–	28,641,143
Loans and advances to customers	–	198,965,469	–	198,965,469
Other debt investments	5,542,146	238,257,464	–	243,799,610
Other equity investments	799,991	–	1,389,417	2,189,408
Total assets measured at fair value on a recurring basis	8,475,776	591,683,284	23,489,070	623,648,130
Liabilities				
Financial liabilities held for trading	(15,304,567)	(676,230)	–	(15,980,797)
Derivative financial liabilities	–	(28,000,555)	–	(28,000,555)
Total liabilities measured at fair value on a recurring basis	(15,304,567)	(28,676,785)	–	(43,981,352)

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 4 Fair value estimates (continued)

#### (1) Assets and liabilities measured at fair value on a recurring basis (continued)

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Bank using valuation techniques. The valuation models used mainly comprise discounted cash flow model and market comparable company model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and liquidity discount, etc.

As at 31 December 2021 and 31 December 2020, the changes in Level 3 assets and liabilities were analysed below:

	Other equity instruments
1 January 2021	1,389,417
Losses recognised in other comprehensive income	(66,499)
31 December 2021	1,322,918
	Other equity instruments
1 January 2020	1,317,777
Increase in the current year	240,168
Losses recognised in other comprehensive income	(168,528)
31 December 2020	1,389,417

The Bank's Risk Management Department is responsible for valuation of financial assets and financial liabilities. The above valuation results are independently verified and accounted for by the Bank's Operations and Process Management Department, and disclosure information in relation to fair value is prepared based on the verified valuation results.

Financial instruments valued using unobservable market data and other valuation techniques mainly include unlisted equity, and the valuation methods used are primarily discounted cash flows and market comparable company approach, which involve unobservable assumptions including company cash flows, risk-adjusted discount rate, P/B ratio, P/E ratio and liquidity discount.

## XV Financial instruments and risk management (continued)

### 4 Fair value estimates (continued)

#### (2) Assets measured at fair value on a non-recurring basis

In 2021 and 2020, the Bank had no asset or liability items measured at fair value on a non-recurring basis.

#### (3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and financial liabilities at amortised cost of the Bank mainly comprise: due from central banks, due from banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortised cost, debt investments, due to central banks, due to banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and bonds issued.

Except for financial assets and liabilities listed below, the carrying amount of other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt investments	408,086,317	412,842,264	332,401,222	330,522,437
Financial liabilities				
Bonds issued	282,749,134	280,759,606	221,916,699	216,685,696

The fair value of debt investments that are traded in an active market is determined at the quoted market price, and categorised within Level 1 of the fair value hierarchy. The fair value of bonds issued is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, and categorised within Level 3 of the fair value hierarchy.



# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XV Financial instruments and risk management (continued)

### 5 Capital management

The Group's objectives on capital management are:

- Maintaining reasonable capital adequacy ratio to continue to meet regulatory rules and policy requirements on capital, and keeping stable capital base to ensure the Group's business growth and the implementation of its business development and strategic plan and to achieve comprehensive, coordinated and sustainable development;
- Complying with laws and regulations regarding capital, gradually adopting the advanced capital measurement approach, improving the internal assessment procedures for capital adequacy, disclosing information on capital management, covering all types of risks, and ensuring the secure operation of the Group;
- Applying quantified results of various risks, establishing a bank value management system centring around economic capital, improving the policy, process and application management system, strengthening the capital constraint and incentive mechanism, enhancing the Bank's product pricing and decision-making capabilities, and improving the capital allocation efficiency;
- Making reasonable use of various capital instruments, continuously enhancing capital strength, refining capital structure, improving capital quality, reducing capital cost, and generating maximum return to shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its appropriation of profit policy, issue or redeem own shares, other tier-one capital instruments, qualifying tier-two capital instruments and convertible corporate bonds, etc.

The Group's management regularly monitors capital adequacy ratio with methods by CBRC.

On 1 January 2013, the Group started computing the capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (provisional) and other relevant regulations.

The commercial banks are required to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the *Regulation Governing Capital of Commercial Banks (Trial)* that the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. The systemically important banks are required to meet the additional capital requirements from 1 January 2023 in accordance with the *Additional Supervision Requirements for Systemically Important Banks (Trial)*. The Group is required to maintain 0.25% of additional capital, i.e., to maintain the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio not below 7.75%, 8.75% and 10.75%, respectively. In addition, those individual banking subsidiaries or branches incorporated outside Mainland China are also directly regulated and supervised by their local banking regulators. There are certain differences in the capital adequacy ratio requirements of different countries.

Risk-weighted assets included credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets. Credit risk-weighted assets include on-balance sheet risk-weighted assets, off-balance sheet risk-weighted assets and counterparty credit risk-weighted assets. The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit risk, market risk and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The counterparty credit risk-weighted assets include counterparty credit risk assets arising from OTC derivatives financial instruments, securities financing transactions and transactions with central counterparties. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

## XV Financial instruments and risk management (continued)

### 5 Capital management (continued)

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under CASs. As at 31 December 2021 and 31 December 2020, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Group fully complied with relevant regulatory requirements.

The Group calculates the capital adequacy ratios in accordance with the *Regulation Governing Capital of Commercial Banks (Trial)* and other relevant requirements as follows:

	2021	2020
Total core tier-one capital	<b>189,509,685</b>	173,158,570
Adjustment of ore tier-one capital	<b>(2,799,864)</b>	(2,150,807)
– Other intangible assets (excluding land use rights) net of related deferred tax liability	<b>(2,799,864)</b>	(2,150,807)
Net core tier 1 capital	<b>186,709,821</b>	171,007,763
Other tier 1 capital	<b>44,991,071</b>	44,991,071
Net tier 1 capital	<b>231,700,892</b>	215,998,834
Tier 2 capital	<b>59,510,938</b>	58,189,621
Total net capital	<b>291,211,830</b>	274,188,455
Total risk-weighted assets	<b>2,354,160,171</b>	2,192,860,460
– Credit risk-weighted assets	<b>2,173,998,296</b>	2,021,170,667
– Market risk-weighted assets	<b>35,699,989</b>	38,050,399
– Operational risk-weighted assets	<b>144,461,886</b>	133,639,394
Core tier 1 capital adequacy ratio	<b>7.93%</b>	7.80%
Tier 1 capital adequacy ratio	<b>9.84%</b>	9.85%
Capital adequacy ratio	<b>12.37%</b>	12.50%

# Notes to the Financial Statements

For the year ended 31 December 2021 (All amounts in RMB'000 Yuan unless otherwise stated)

## XVI Events after the balance sheet date

### Assessment of the impact on the Bank's temporary share subscriptions of shareholders

In 2021, the Bank's private placement of shares was no more than 2,102,664 thousand shares. As at 31 December 2021, the Bank received a total payment of RMB8,403.8 million.

On 17 January 2022, the Bank completed the verification of the new registered capital.

On 20 January 2022, the Bank recognised the capital contribution of RMB18,370 million from shareholders as share capital and capital reserve, which were RMB2,103 million and RMB16,267 million, respectively.

Except for the aforesaid events, the Group and the Bank have no significant events after the financial statements date.

## Directory of Organizations

### Head Office

- 📍 Address: CGB Building, No. 713 Dongfengdong Road, Yuexiu District, Guangzhou, Guangdong
- ☎ Telephone: 020-87311722
- 📠 Fax: 020-87311722
- ✉ Post code: 510080
- 🏢 Quantity of institution: 1

### Chongqing Branch

- 📍 Address: 1/F & 2/F, Podium Building, Unit 1 & 30-43/F, CGB Building, Unit 2, No. 99 Wuyi Road, Yuzhong District, Chongqing
- ☎ Telephone: 023-63302266
- 📠 Fax: 023-63329888
- ✉ Post code: 400010
- 🏢 Quantity of institution: 10

### Beijing Branch

- 📍 Address: Unit 105, 1/F, No. 1 Caishikou Street, Xicheng District, Beijing
- ☎ Telephone: 010-65283775
- 📠 Fax: 010-65266728
- ✉ Post code: 100053
- 🏢 Quantity of institution: 54

### Dalian Branch

- 📍 Address: No. 3, Zhongshan Plaza, Zhongshan District, Dalian, Liaoning
- ☎ Telephone: 0411-82553259
- 📠 Fax: 0411-82553258
- ✉ Post code: 116001
- 🏢 Quantity of institution: 20

### Changchun Branch

- 📍 Address: No. 105 and 106 Store of 1/F, 2/F, and 16-20/F, Shangdong International Tower A, No. 3000 Dongsheng Avenue, Erdao District, Changchun, Jilin
- ☎ Telephone: 0431-81135111
- 📠 Fax: 0431-81135000
- ✉ Post code: 130000
- 🏢 Quantity of institution: 5

### Dongguan Branch

- 📍 Address: Stores 101-103, 109, 110 and Office No. 207, 401-801, 902, CGB Financial Building, No. 3 Shizhu Road, Nancheng District, Dongguan, Guangdong
- ☎ Telephone: 0769-23199923
- 📠 Fax: 0769-22456654
- ✉ Post code: 523000
- 🏢 Quantity of institution: 51

### Changsha Branch

- 📍 Address: CGB Building, No. 195 Binjiang Road, Yuelu District, Changsha, Hunan
- ☎ Telephone: 0731-88335748
- 📠 Fax: 0731-88335788
- ✉ Post code: 410006
- 🏢 Quantity of institution: 27

### Foshan Branch

- 📍 Address: CGB Building, No. 29 Jihua 5th Road, Chancheng District, Foshan, Guangdong
- ☎ Telephone: 0757-83358832
- 📠 Fax: 0757-83359356
- ✉ Post code: 528000
- 🏢 Quantity of institution: 36

### Chengdu Branch

- 📍 Address: 1-2, 17, 19-21/F, North Tower, Sichuan Investment Building, No. 112 Tiantai Road, High-Tech Zone, Chengdu, Sichuan
- ☎ Telephone: 028-80587953
- 📠 Fax: 028-85355943
- ✉ Post code: 610041
- 🏢 Quantity of institution: 13

### Fuzhou Branch

- 📍 Address: 1/F & 4/F, Shenfa Mansion, No. 132 Shuguang Road, Taijiang District, Fuzhou, Fujian
- ☎ Telephone: 0591-28083903
- 📠 Fax: 0591-28083903
- ✉ Post code: 350009
- 🏢 Quantity of institution: 16

## Directory of Organizations

### Guangzhou Branch

📍 Address: 1/F & 24-28/F, Nanyazhonghe Plaza, No. 57 Linjiang Avenue, Pearl River New Town, Tianhe District, Guangzhou, Guangdong

☎ Telephone: 020-38988800

📠 Fax: 020-83503050

✉ Post code: 510623

🏢 Quantity of institution: 59

### Hefei Branch

📍 Address: 1, 42, 43/F, Block B, Anliang Dongyi Financial Plaza, No. 169 Funan Road, Luyang District, Hefei

☎ Telephone: 0551-65955600

📠 Fax: 0551-65955600

✉ Post code: 230061

🏢 Quantity of institution: 12

### Guiyang Branch

📍 Address: "Guizhou China Life Plaza", north third tower, Zhongtian Financial City Business District (North District), Changling North Road, Guanshanhu District, Guiyang, Guizhou

☎ Telephone: 0851-82222420

📠 Fax: 0851-82238782

✉ Post code: 550081

🏢 Quantity of institution: 1

### Heyuan Branch

📍 Address: Youli Business Building, No. 19 Jianshe Avenue West, Heyuan, Guangdong

☎ Telephone: 0762-3168600 (switchboard)

📠 Fax: 0762-3168604

✉ Post code: 517000

🏢 Quantity of institution: 7

### Harbin Branch

📍 Address: No. 2688 Qunli Fifth Avenue, Daoli District, Harbin, Heilongjiang

☎ Telephone: 0451-85872981

📠 Fax:—

✉ Post code: 150010

🏢 Quantity of institution: 23

### Huizhou Branch

📍 Address: No. 19 Xiapu Avenue, Huizhou, Guangdong

☎ Telephone: 0752-2119885

📠 Fax: 0752-2119888

✉ Post code: 516001

🏢 Quantity of institution: 19

### Haikou Branch

📍 Address: 1-3F, Yilong Plaza, No. 15 Jinlong Road, Longhua District, Haikou, Hainan

☎ Telephone: 0898-31290055

📠 Fax:—

✉ Post code: 570125

🏢 Quantity of institution: 1

### Jiangmen Branch

📍 Address: No. 49-5 Jianshe Road, Jiangmen, Guangdong

☎ Telephone: 0750-3288388 (switchboard)

📠 Fax: 0750-3288644

✉ Post code: 529000

🏢 Quantity of institution: 20

### Hangzhou Branch

📍 Address: No. 516 Yan'an Road, Hangzhou, Zhejiang

☎ Telephone: 0571-87019888 (switchboard)

📠 Fax: 0571-87917852

✉ Post code: 310006

🏢 Quantity of institution: 38

### Jinan Branch

📍 Address: CGB Building, No. 15 Jingsi Road, Shizhong District, Jinan, Shandong

☎ Telephone: 0531-66669201

📠 Fax: 0531-66669900

✉ Post code: 250001

🏢 Quantity of institution: 20

**Kunming Branch**

- 📍 Address: No. 488 Guangfu Road, Xishan District, Kunming, Yunnan
- ☎ Telephone: 0871-64177111
- 📠 Fax: 0871-64177444
- ✉ Post code: 650228
- 🏢 Quantity of institution: 26

**Nanning Branch**

- 📍 Address: Block B, China-Asean International Trade and Logistics Center, No. 146 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region
- ☎ Telephone: 0771-5579656
- 📠 Fax: 0771-5579606
- ✉ Post code: 530000
- 🏢 Quantity of institution: 7

**Maoming Branch**

- 📍 Address: No. 159 Yingbin 3rd Road, Maoming, Guangdong
- ☎ Telephone: 0668-3337007
- 📠 Fax: 0668-2286313
- ✉ Post code: 525000
- 🏢 Quantity of institution: 14

**Ningbo Branch**

- 📍 Address: No. Odd 11-27 Daqing South Road, Jiangbei District, Ningbo, Zhejiang
- ☎ Telephone: 0574-87289888
- 📠 Fax: 0574-87191000
- ✉ Post code: 315000
- 🏢 Quantity of institution: 17

**Meizhou Branch**

- 📍 Address: 1-3/F, Block MB11, Meiyuanxincun, South Section, Jiangnan Binfang Avenue, Meizhou, Guangdong
- ☎ Telephone: 0753-2313068
- 📠 Fax: 0753-2243595
- ✉ Post code: 514021
- 🏢 Quantity of institution: 10

**Qingdao Branch**

- 📍 Address: 29, 30, 31/F, No.1 and 1-2F of the podium of Buildings No.1&2, Guoxin Financial Center, No. 31 Xianxialing Road, Laoshan District, Qingdao, Shandong
- ☎ Telephone: 0532-83795508
- 📠 Fax:—
- ✉ Post code: 266105
- 🏢 Quantity of institution: 1

**Nanchang Branch**

- 📍 Address: No. 1669 Hongguzhong Avenue, Honggutan New District, Nanchang, Jiangxi
- ☎ Telephone: 0791-88550576
- 📠 Fax: 0791-83895508
- ✉ Post code: 330000
- 🏢 Quantity of institution: 8

**Qingyuan Branch**

- 📍 Address: No. 01 Office, Floors 1-2, Building 38, City Garden, No. 55 Lianjiang Road, Qingcheng District, Qingyuan, Guangdong
- ☎ Telephone: 0763-3855018
- 📠 Fax: 0763-3855010
- ✉ Post code: 511500
- 🏢 Quantity of institution: 9

**Nanjing Branch**

- 📍 Address: No. 238 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu
- ☎ Telephone: 025-88812888 (switchboard)
- 📠 Fax: 025-88812007
- ✉ Post code: 210019
- 🏢 Quantity of institution: 39

**Shanghai Branch**

- 📍 Address: No. 88 Yincheng Road, Pudong New District, Shanghai
- ☎ Telephone: 021-63901033
- 📠 Fax: 021-63901929
- ✉ Post code: 200120
- 🏢 Quantity of institution: 34

## Directory of Organizations

### Shantou Branch

📍 Address: 1-4/F, Chaoshanxinghe Building,  
Jinhuan Road, Shantou, Guangdong

☎ Telephone: 0754-88262689

📠 Fax: 0754-88262489

✉ Post code: 515041

🏢 Quantity of institution: 26

### Suzhou Branch

📍 Address: Block A, Building 24, China Life  
Financial Center, Huachi Street,  
Industrial Park, Suzhou, Jiangsu

☎ Telephone: 0512-80987571

📠 Fax: 0512-80987500

✉ Post code: 215000

🏢 Quantity of institution: 9

### Shaoguan Branch

📍 Address: Building 41, Huimin South Road,  
Shaoguan, Guangdong

☎ Telephone: 0751-8177989

📠 Fax: 0751-8763208

✉ Post code: 512025

🏢 Quantity of institution: 3

### Taiyuan Branch

📍 Address: 1-6/F, Junwei International Financial  
Center, No. 89 Jinyang Street, Xiaodian  
District, Taiyuan, Shanxi

☎ Telephone: 0351-2302121

📠 Fax: 0351-2302157

✉ Post code: 030006

🏢 Quantity of institution: 6

### Shenyang Branch

📍 Address: No. 197 Qingnian Avenue, Shenhe  
District, Shenyang, Liaoning

☎ Telephone: 024-81378153

📠 Fax: 024-81378171

✉ Post code: 110016

🏢 Quantity of institution: 26

### Tianjin Branch

📍 Address: Tianjin Mansion, Jiefang South Road,  
Hexi District, Tianjin

☎ Telephone: 022-58566111

📠 Fax: 022-58566160

✉ Post code: 300042

🏢 Quantity of institution: 12

### Shenzhen Branch

📍 Address: 11-19/F, Building A 1-2 (East),  
Dongfang Xintiandi Plaza, No. 1003  
Shennan Road, Futian District,  
Shenzhen, Guangdong

☎ Telephone: 0755-88919857

📠 Fax: 0755-88919021

✉ Post code: 518000

🏢 Quantity of institution: 41

### Wuhan Branch

📍 Address: CGB Building, No. 737 Jianshe  
Avenue, Jiangnan District, Wuhan,  
Hubei

☎ Telephone: 027-85354783

📠 Fax: 027-85354848

✉ Post code: 430022

🏢 Quantity of institution: 28

### Shijiazhuang Branch

📍 Address: Units 0-101, 0-302A, 01, 20-23/F, T1  
& T2 Office Building, Zhongjiao Fortune  
Center, No. 118 Ziqiang Road, Qiaoxi  
District, Shijiazhuang, Hebei

☎ Telephone: 0311-89881000

📠 Fax: 0311-89881280

✉ Post code: 050000

🏢 Quantity of institution: 9

### Urumqi Branch

📍 Address: No. 480 Renmin Road, Tianshan  
District, Urumqi, Xinjiang Uygur  
Autonomous Region

☎ Telephone: 0991-2953333

📠 Fax: 0991-2953277

✉ Post code: 830001

🏢 Quantity of institution: 10

**Xi'an Branch**

- 📍 Address: 1, 35, 38-41/F, Xi'an China Life Financial Center, No. 11 Tangyan Road, High-tech Zone, Xi'an, Shaanxi
- ☎ Telephone: 029-89568536
- 📠 Fax: 029-89568558
- ✉ Post code: 710075
- 🏢 Quantity of institution: 13

**Zhongshan Branch**

- 📍 Address: No. 55 Huabai Road, Shiqi District, Zhongshan, Guangdong
- ☎ Telephone: 0760-88861998 (switchboard)
- 📠 Fax: 0760-88861968
- ✉ Post code: 528402
- 🏢 Quantity of institution: 15

**Yangjiang Branch**

- 📍 Address: Jinghu Comprehensive Building, No. 38 Dongfeng 3rd Road, Yangjiang, Guangdong
- ☎ Telephone: 0662-3367692
- 📠 Fax: 0662-3367672
- ✉ Post code: 529500
- 🏢 Quantity of institution: 6

**Zhuhai Branch**

- 📍 Address: No. 68 Jida Jingshan Road, Xiangzhou District, Zhuhai, Guangdong
- ☎ Telephone: 0756-3250900
- 📠 Fax: 0756-3250900
- ✉ Post code: 519000
- 🏢 Quantity of institution: 16

**Zhaoqing Branch**

- 📍 Address: No. 75-1 Tianning North Road, Duanzhou District, Zhaoqing, Guangdong
- ☎ Telephone: 0758-2313023
- 📠 Fax: 0758-2313013
- ✉ Post code: 526040
- 🏢 Quantity of institution: 17

**Macau Branch**

- 📍 Address: 18/F, Guanghui (Group) Commercial Center, No. 181-187 Alameda Dr. Carlos D'assumpcao Square, New Port, Macau
- ☎ Telephone: 00853-28750328 (switchboard)
- 📠 Fax: 00853-28750728
- 🏢 Quantity of institution: 5

**Zhanjiang Branch**

- 📍 Address: No. 22 Zhongshan 1st Road, Chikan District, Zhanjiang, Guangdong
- ☎ Telephone: 0759-3366558
- 📠 Fax: 0759-3313285
- ✉ Post code: 524032
- 🏢 Quantity of institution: 13

**Hong Kong Branch**

- 📍 Address: 12/F, Tower 1, Exchange Square, 8 Connaught Place, Central, Hong Kong
- ☎ Telephone: 00852-38509800
- 📠 Fax: 00852-25300123
- 🏢 Quantity of institution: 1

**Zhengzhou Branch**

- 📍 Address: No. 10 CBD Commercial Outer Ring Road, Zhengdong New District, Zhengzhou, Henan
- ☎ Telephone: 0371-68599907
- 📠 Fax: 0371-68599908
- ✉ Post code: 450046
- 🏢 Quantity of institution: 44

**Credit Card Center**

- 📍 Address: 8, 9, 10, 11, 12, 13/F, No. 10 Jiangxi Road, Pearl River New Town, Tianhe District, Guangzhou
- ☎ Telephone: 020-38738888
- 📠 Fax: 020-38738992
- ✉ Post code: 510623
- 🏢 Quantity of institution: 62



## Directory of Organizations

### **CGB Wealth Management Co., Ltd.**

📍 Address: 31F, No. 166 Lujiazui East Road, China  
(Shanghai) Pilot Free Trade Zone

☎ Telephone: 021-68298600

📠 Fax: 021-50338709

✉ Post code: 200135

🏢 Quantity of institution: 1



📍 No. 713 Dongfengdong Road,  
Yuexiu District, Guangzhou

☎ 400-830-8003

📦 510080

🌐 [www.cgbchina.com.cn](http://www.cgbchina.com.cn)

