



# 泸州银行股份有限公司

LUZHOU BANK CO., LTD.

泸州银行股份有限公司\*

Luzhou Bank Co., Ltd.\*

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號：1983 Stock Code: 1983

# 2021

ANNUAL REPORT

年度報告



- \* 泸州银行股份有限公司並非香港法例第155章《銀行業條例》所指認可機構，不受香港金融管理局的監督，亦不獲授權在香港經營銀行／接受存款業務。
- \* Luzhou Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.

# Contents

---

Corporate Overview	2
Accounting Data and Financial Indicators Summary	5
Chairman’s Statement	7
President’s Statement	9
Management Discussion and Analysis	11
Changes in Share Capital and Information on Shareholders	54
Directors, Supervisors, Senior Management and Employees	61
Corporate Governance Report	82
Directors’ Report	113
Report of the Board of Supervisors	120
Important Events	123
Independent Auditor’s Report	124
Statement of Comprehensive Income	130
Statement of Financial Position	131
Statement of Changes in Equity	132
Statement of Cash Flows	133
Notes to the Financial Statements	135
Unaudited Supplementary Financial Information	253
Definitions	255

# Corporate Overview

## I. CORPORATE PROFILE

### (I) Legal Names

1. Legal Chinese name: 泸州银行股份有限公司  
(Abbreviation in Chinese: 泸州银行)
2. Legal English name: LUZHOU BANK CO., LTD.  
(Abbreviation in English: LUZHOU BANK)

(II) Registered Capital: RMB2,717,752,062

(III) Legal Representative: Mr. YOU Jiang

(IV) Authorized Representatives: Mr. LIU Shirong, Ms. SO Shuk Yi Betty

(V) Company Secretary: Ms. SO Shuk Yi Betty

(VI) Listing Exchange of H Shares: The Stock Exchange of Hong Kong Limited

(VII) Abbreviated Stock Name and Stock Code: LUZHOU BANK (1983.HK)

(VIII) Registered Address: Building 1, No. 18, Section 3, Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC

(IX) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

### (X) Contact Address:

Building 1, No. 18 Section 3 Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC  
Post Code: 646000  
Website: [www.lzccb.cn](http://www.lzccb.cn)

(XI) Address for Inspection of this Annual Report: Office of the Board of Directors of the Bank

### (XII) Auditor

International: *PricewaterhouseCoopers*  
Address: 22/F, Prince's Building, Central, Hong Kong

Domestic: *PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)*

Address: 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC

## Corporate Overview

- (XIII) PRC Legal Advisor: JunHe LLP, Shanghai Office
- (XIV) Hong Kong Legal Advisor: Clifford Chance
- (XV) H Share Registrar and Transfer Office: Computershare Hong Kong Investor Services Limited
- (XVI) Registration Date: September 15, 1997
- (XVII) Registration Authority: Luzhou City Administration for Market Regulation in Sichuan Province, the PRC
- (XVIII) Unified Social Credit Code: 91510500708926271U
- (XIX) Financial License Institution Number: B0210H251050001
- (XX) Customer Service and Complaints Hotline: 0830-96830
- (XXI) Tel: 0830-2362606
- (XXII) Fax: 0830-3100625
- (XXIII) E-mail: ir@lzccb.cn

## II. CORPORATE INFORMATION

Headquartered in Luzhou, the PRC, Luzhou Bank was established on September 15, 1997 as approved by the PBoC. The Bank has Chengdu Branch and Meishan Branch, with a total of 32 operating outlets established. As at the end of the Reporting Period, our total assets amounted to RMB134,510 million; our total customer loans amounted to RMB74,873 million, and our total customer deposits amounted to RMB94,769 million.

Our H shares have been listed on the main board of Hong Kong Stock Exchange on December 17, 2018 (stock code: 1983).

## Corporate Overview

### III. MAJOR HONORS ACHIEVED IN 2021

Awarded the “2020 Sina Golden Kirin (Sichuan): Financial Institution of Social Responsibility (2020 新浪金麒麟(四川): 社會責任金融機構)” by Weibo Sina Sichuan in January 2021.

The title of “2020 ENTERPRISE STANDARD FORERUNNER (2020年企業標準領跑者)” awarded in the selection activity organized by eight departments including State Administration for Market Regulation, Ministry of Finance and People’s Bank of China in February 2021.

The third of urban commercial banks (less than RMB200 billion) awarded in the comprehensive evaluation results of the 2020 “Gyro” Evaluation System (“陀螺”評價體系) released by the Industry Development Research Committee of the China Banking Association (中國銀行業協會行業發展研究委員會) in April 2021.

“Excellence and Innovation in Digital Inclusive Finance of 2020 (2020數字普惠金融卓越創新獎)” awarded in the selection activity of “2020 Excellence List of Digital Finance Competitiveness in China (2020 中國數字金融競爭力卓越榜)” jointly organized by the Modern Bankers, China Science and Technology Financial Promotion Association, and the FinTech & Sharing Finance 100 Forum (FSF100) in May 2021.

The “Gold Award of Pre-ABS Investment Institution” awarded in the 5th Annual Meeting on of China’s Asset Securitization (中國資產證券化主題年會) in May 2021.

“Integrated Marketing Exemplar of the Year (整合營銷年度案例獎)” awarded in “the 4th (2021) China Finance Annual Brand Exemplar Competition (第四屆(2021)中國金融年度品牌案例大賽)” jointly organized by the China Financial Publishing House, Financial Brand Research Institute of Central University of Finance and Economics, and the China Finance Annual Brand Exemplar Committee in June 2021.

“Top Ten Innovator in Inclusive Finance Services (十佳普惠金融服務創新獎)” awarded in “China Financial Innovation Forum for 2021 (2021年中國金融創新論壇)” and “Online Conference of China Financial Innovation Achievements in 2021 (2021中國金融創新成果線上發佈會)” organized by The Chinese Banker in September 2021.

“Best Small and Medium-sized Bank for Inclusive Finance (最佳普惠金融中小銀行獎)” awarded in the “2021 (10th) Small and Medium-sized Bank Development Summit and the 4th Iron Horse Small and Medium-sized Bank Awards Ceremony (2021(第10屆)中小銀行發展高峰論壇暨第四屆鐵馬中小銀行評選頒獎典禮)” held by The Modern Bankers in October 2021.

“Social Responsibility Pioneer Bank of 2021 (2021 年度社會責任先鋒銀行)” awarded in the 19th China’s Financial Annual Champion Awards Selection in December 2021.

“Exemplar Bank in Product Innovation (產品創新優秀案例獎)” awarded in the “2nd Digital Finance and Payment Innovation Selection of Urban Commercial Banks (第二屆城市商業銀行數字金融與支付創新案例評選)” sponsored by City Commercial Banks Clearing Co., Ltd. and co-sponsored by Fintech Innovation in China in December 2021.

The remote video banking project “Xiaoluyunting (小瀘雲廳)” of our Bank was awarded the “Best Exemplar” by the Sichuan Association of FinTech in December 2021.

# Accounting Data and Financial Indicators Summary

Unit: RMB'000

Item	2021	2020	Year-on-year change	2019	2018	2017
<b>Operating results</b>			<b>change (%)</b>			
Net interest income	2,938,204	2,756,442	6.59	2,718,125	1,772,398	1,574,335
Net fee and commission income	57,420	5,085	1,029.20	5,085	1,868	(1,890)
Operating income	3,776,319	3,154,720	19.70	2,806,631	1,934,088	1,679,956
Operating expenses	(1,507,790)	(1,176,666)	28.14	(1,036,331)	(686,928)	(543,168)
Expected credit losses/other impairment losses	(1,337,972)	(1,242,241)	7.71	(944,739)	(396,810)	(324,846)
Profit before income tax	934,306	740,250	26.21	829,648	853,990	814,486
Net profit	734,257	576,074	27.46	633,912	658,307	618,703
Net profit attributable to shareholders of the Bank	734,257	576,074	27.46	633,912	658,307	618,703
<b>Per share (RMB)</b>			<b>change</b>			
Net assets per share attributable to our shareholders <sup>(1)</sup>	2.95	3.20	(0.25)	3.04	2.92	2.65
Basic earnings per share <sup>(2)</sup>	0.24	0.21	0.03	0.28	0.40	0.38
Diluted earnings per share	0.24	0.21	0.03	0.28	0.40	0.38
<b>Scale indicators (RMB'000)</b>			<b>change (%)</b>			
Total assets	134,510,128	118,886,259	13.14	91,680,621	82,549,815	70,879,436
Of which: net customer loans <sup>(3)</sup>	72,236,192	57,585,311	25.44	43,298,734	30,486,354	18,833,833
Total liabilities	124,807,971	109,937,310	13.53	84,791,112	76,183,029	66,543,721
Of which: customer deposits	94,768,521	85,223,104	11.20	61,436,960	52,385,604	42,145,297
Share capital	2,717,752	2,264,793	20.00	2,264,793	2,182,933	1,637,193
Equity attributable to our shareholders of the Bank	9,702,157	8,948,949	8.42	6,889,509	6,366,786	4,335,715
Total equity	9,702,157	8,948,949	8.42	6,889,509	6,366,786	4,335,715
<b>Profitability indicators (%)</b>			<b>change</b>			
Return on average total assets <sup>(4)</sup>	0.58	0.55	0.03	0.73	0.86	1.00
Return on average equity <sup>(5)</sup>	7.89	7.11	0.78	9.47	14.66	14.83
Net interest spread <sup>(6)</sup>	2.59	2.75	(0.16)	2.85	2.43	2.55
Net interest margin <sup>(7)</sup>	2.49	2.78	(0.29)	3.08	2.53	2.65
Net fee and commission income to operating income <sup>(8)</sup>	1.52	0.16	1.36	0.18	0.10	(0.11)
Cost-to-income ratio <sup>(9)</sup>	38.59	36.09	2.50	35.95	34.54	31.89
<b>Asset quality indicators (%)</b>			<b>change</b>			
NPL ratio	1.42	1.83	(0.41)	0.94	0.80	0.99
Allowance coverage ratio	262.49	187.43	75.06	349.78	319.36	294.49
Allowance to gross loan ratio	3.72	3.43	0.29	3.28	2.54	2.93

## Accounting Data and Financial Indicators Summary

Item	2021	2020	Year-on-year change	2019	2018	2017
<b>Capital adequacy indicators (%)</b>			<b>change</b>			
Core tier-one capital adequacy ratio <sup>(10)</sup>	<b>8.05</b>	8.11	(0.06)	9.31	10.69	10.40
Tier-one capital adequacy ratio <sup>(10)</sup>	<b>9.75</b>	10.01	(0.26)	9.31	10.69	10.40
Capital adequacy ratio <sup>(10)</sup>	<b>13.36</b>	13.87	(0.51)	12.09	13.29	13.69
<b>Other indicators (%)</b>			<b>change</b>			
Liquidity ratio	<b>87.79</b>	83.02	4.77	83.72	73.40	48.42

### Notes:

- (1) Net assets per share attributable to our shareholders = (equity attributable to our shareholders – other equity instruments)/the number of ordinary shares at the end of the period.
- (2) Basic earnings per share are calculated by dividing the net profit for the year/period attributable to shareholders of the Bank by the weighted average number of ordinary shares during the period.
- (3) Net customer loans = total customer loans – impairment allowance on customer loans.
- (4) Return on average total assets = net profit/the average balance of total assets at the beginning and the end of the period.
- (5) Return on average equity = net profit attributable to our shareholders of ordinary shares/the weighted average balance of equity attributable to our shareholders of ordinary shares at the beginning and the end of the period.
- (6) Net interest spread = the average yield on interest-earning assets – the average cost of interest-bearing liabilities.
- (7) Net interest margin = net interest income/the average balance of interest-earning assets.
- (8) Net fee and commission income to operating income = net fee and commission income/operating income.
- (9) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
- (10) The capital adequacy ratio related indicators in the above table were calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 and other relevant regulatory requirements.



## Chairman's Statement

2021 was a year of intricacy and exceptional difficulties, among which were recurrent and spreading COVID-19, continuous macroeconomic downturn, and intensifying industry competition. The management and all employees united to overcome difficulties with solid work, under the leadership of our Board of Directors who had tremendous support from shareholders, and thus achieving a good start of our 14th Five-Year Plan.

In 2021, we expedited the promotion of our institutional extension plan. Proactively tapping into the opportunities in the construction of Chengdu-Chongqing Double-City Economic Circle, we steadily promoted the construction of branches and sub-branches. Meishan branch, the second branch outside Luzhou where our headquarters is located, as well as Qingyang sub-branch and Jintang sub-branch, both in Chengdu municipality, started the business successfully. We finished establishing Suining branch, together with another three sub-



branches in Chengdu municipality, i.e. Jinniu sub-branch, Wuhou sub-branch, and Free Trade Zone sub-branch, of which, Jinniu sub-branch was officially opened on March 4, 2022, and the remaining three would go into operation in the near future. The Bank's presence continued to expand with further enhanced business expansion capability.

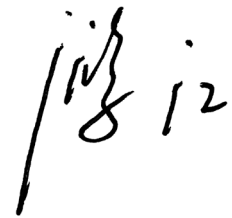
In 2021, we concentrated on refining our governance system. The former executive vice president, Mr. Liu Shirong, who is experienced, diligent and pragmatic, was selected to take over the president position. The special reform programs launched in 2020 achieved positive results, including more optimized credit business handling processes, steady progress in retail business transformation, more frequent inter-industry exchanges and cooperation, and a further improvement in bank-wide operational efficiency. We systematically sorted out and optimized departmental functions and job responsibilities, which resulted in a more sound management mechanism and a significant increase in the efficiency of intra-bank communication and collaboration.

In 2021, we spared no efforts to consolidate the foundation of development. We adopted an overhaul of the cadres and talents management system, established scientific job qualification standards, facilitated open career development channels, introduced a talent review system, and bettered salary and remuneration assessment approaches. These efforts brought about a more scientific talent and team management mechanism and significantly boosted cohesion and will to win among team members. We kept reinforcing information technology construction, further advanced the philosophy and standards of technological development and construction, further improved the technology infrastructure and the functions of some critical systems, and launched the digital transformation, and so our technology-enabling capability was constantly bolstered. In addition, we successfully docked with the APP of digital RMB currency issued by the People's Bank of China and were among the first city commercial banks in China and the first city commercial bank in western China to launch the digital RMB business. We completed a conversion of capital reserve into share capital and the registered capital was changed to RMB2,718 million, further enhancing our capital strength and risk resilience.

## Chairman's Statement

In 2021, we actively fulfilled our social responsibilities. When a rainstorm and flood disaster occurred in Gulin County, Sichuan Province in August 2021, the Bank timely donated RMB4 million to help fight the flood and relieve the disaster. After an earthquake of magnitude 6.0 occurred in Luxian, Sichuan Province on September 16, 2021, the Bank immediately activated the emergency response mechanism. It donated RMB5 million to the Luxian government on the next day, organized employees to donate money and materials amounting to RMB0.918 million, and launched 7 assistance measures to support post-disaster reconstruction. The Bank has granted a loan of RMB351 million for housing reconstruction to 3,022 disaster-affected households, and a loan of RMB548 million to disaster-stricken and disaster-relief enterprises.

We will forge ahead against hardships along the onward journey. 2022 is a crucial year that serves as a connecting link between the preceding and the following for the Bank's 14th Five-Year Plan. The Board of Directors, together with the management and all employees of the Bank, will strive to promote the high-quality development of the Bank with concerted efforts and determination.



*Chairman*  
**YOU Jiang**

# President's Statement

In 2021, in the face of the complex macroeconomic environment and intensified competition in the market, our management, under the strong leadership of the Board of Directors, worked hard to lead our cadres and staff to achieve an all-around improvement in our development.

New heights in business indicators this year. Keeping pace with the economic development trend, we steadily promoted the development of various businesses to ensure that we could increase our scale and improve our profitability at the same time. As at the end of 2021, our total assets amounted to RMB134,510 million, representing a year-on-year increase of 13.14%; our deposit balance totaled RMB94,769 million, representing a year-on-year increase of 11.20%; our loan balance reached RMB74,873 million, representing a year-on-year increase of 25.58%. Our operating income tallied RMB3,776 million, representing a year-on-year increase of 19.70%; our net profit amounted to RMB734 million, representing a year-on-year increase of 27.46%. The growth rates of both assets and loans were higher than the national average for urban commercial banks, and the growth rates of operating income and net profit increased significantly.

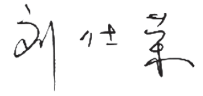
New trends in various businesses this year. We had a deep understanding of our customers' needs and increased our efforts in product and service innovation. In 2021, we launched 23 products such as "Fang Hao Dai" and "E Lu Dai", enriching our product portfolio and diversifying our business structure. We issued 13 new net-worth wealth management products, with wealth management balance exceeding RMB10 billion, representing a year-on-year increase of 234.54%. We applied the thinking of Internet finance to facilitate the development of industrial chain and supply chain finance. Our 15 loans were available online. We won the "Pre-ABS Investment Institution Gold Award" at the Fifth Annual Conference of Asset Securitization in China, and our supply chain finance case "Le Ye Dai" won the Integrated Marketing Annual Case Award at the Fourth (2021) China Financial Annual Brand Case Competition.

New improvements in risk management this year. We insisted on the coordinated development of scale, efficiency and quality, increased our efforts to clear and dispose of non-performing loans, continuously improved asset quality and enhanced our ability to offset risks. As at the end of 2021, our non-performing loan ratio was 1.42%, down 0.41 percentage point year-on-year and 0.48 percentage point lower than the national average for urban commercial banks; the proportion of our special-mentioned loans was 0.63%, representing a year-on-year decrease of 0.71 percentage point; the provision coverage ratio was 262.49%, representing a year-on-year increase of 75.06 percentage points.

## President's Statement

New progress in technological construction this year. We actively responded to the development trend of financial technology, and accelerated the transformation of our financial technology-enabled operations. Throughout the year, we implemented 53 projects to revamp and build new technology systems. We continued to improve the functions of our online lending platform and launched Mobile Banking 2.0, with a 58.4% increase in the number of registered users of mobile banking. We successfully accessed the digital RMB APP, and were one of the first urban commercial banks in China and the first in western China to launch digital RMB business.

Victory belongs to the most persevering. In 2022, our management will closely focus on the development strategies and objectives set by the Board of Directors, proactively seize the opportunities in the construction of Chengdu-Chongqing Double-City Economic Circle, work proactively and hard to reward the trust and support of our shareholders and all sectors of society with excellent performance.



**President**  
**LIU Shirong**



# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 1 ENVIRONMENT AND PROSPECT

Last year, as the once-in-a-century epidemic accelerated the profound changes unseen in a century, the Chinese government adhered to the general keynote of seeking progress while maintaining stability, coordinated the prevention and control of the epidemic with economic and social development, and achieved a good start of the 14th Five-Year Plan. In 2021, the GDP was RMB114.4 trillion, representing a year-on-year increase of 8.1% and a two-year average increase of 5.1%. The growth rate continued to rank among the highest in the world's major economies and was gradually converging to the long-term average level before the epidemic. Sichuan Province, the main region in which the Bank operated, recorded a GDP of RMB5.39 trillion in 2021, representing a year-on-year increase of 8.2% and a two-year average increase of 6%, with 0.1 and 0.9 percentage points higher than that of the whole country respectively, making it the 6th province in the country and the 1st in the western region with a total GDP exceeding RMB5 trillion. Sichuan's economy continued to grow and its overall strength was steadily improving.

Looking forward to the future, although the global economy is still under great downward pressure, China's economy boasts great potential and strong resilience, and its long-term positive fundamentals and favorable conditions for building a new development pattern will not change, and there is still enough policy space to support stable economic growth. In the hinterland of southwest China, the Chengdu-Chongqing region, located at the junction of the "Belt and Road" and the Yangtze River Economic Belt, is densely populated, with strong industries and a broad market, and has an important strategic position in the national modernization and all-round opening pattern. In 2021, the Chinese government successively issued policy documents such as the *Outline of the Construction Plan for the Chengdu-Chongqing Double City Economic Circle* and the *Planning of the Chengdu-Chongqing Joint Construction of the Western Financial Center*, promoting the Chengdu-Chongqing region to accelerate its progress towards the goal of "being an important growth pole and a new source of power for high-quality national development in China". Located in the southern wing of the double-city economic circle in the Chengdu-Chongqing region, Luzhou was vigorously implementing the characteristic development strategy of "One Body with Two Wings", accelerating the construction of the province's economic sub-center to support the southern wing across the double-city economic circle in the Chengdu-Chongqing region, and striving to build a regional center city in the new era. The Neijiang-Zigong-Luzhou section of the Mianyang-Luzhou high-speed railway was officially put into operation in 2021, and the overall plan of the integrated development demonstration zone of Luzhou, Yongchuan and Jiangjin was approved by the Sichuan and Chongqing governments for implementation. All these make Luzhou's location and policy advantages more obvious, further boosting its development.

In 2021, the Bank actively responded to the complex and ever-changing economic and financial environment, continuously accelerated the pace of reform and transformation, steadily improved business scale, efficiency and quality, successfully completed the new cadre and talent management system, continuously strengthened technology-led support capability, further improved branch layout in the province, and achieved significant improvement in the operation and development foundation. In the new year, the Bank will strengthen the research on economic and financial situation and policies, focus on improving services, digital transformation, risk prevention and control, do a good job in technology empowerment, talent empowerment and management empowerment, and reward the investors' care and love with excellent results.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 2 DEVELOPMENT STRATEGIES

In 2022, the Bank will adhere to the general keynote of seeking progress in the trend of steady, continue to optimize the liability structure, strengthen the construction of intelligent risk control, accelerate fintech innovation and development to provide strong support for the construction of Chengdu-Chongqing Double-City Economic Circle and the development of Luzhou “One body with Two Wings”, and achieve high-quality development in promoting regional economic development.

## 3 ANALYSIS OF STATEMENTS OF PROFITS

### 3.1 Financial results highlights

Unit: RMB'000

Item	2021	2020
Net interest income	2,938,204	2,756,442
Net fee and commission income	57,420	5,085
Net gains on trading activities, net gains on financial investments and other operating income	780,695	393,193
Operating expenses	(1,507,790)	(1,176,666)
Expected credit losses/other impairment losses	(1,337,972)	(1,242,241)
Share of profits of associates	3,749	4,437
Profit before income tax	934,306	740,250
Income tax expenses	(200,049)	(164,176)
Net profit	734,257	576,074
Of which: net profit attributable to shareholders of the Bank	734,257	576,074

In 2021, the Bank's profit before income tax amounted to RMB934 million, representing an increase of RMB194 million or 26.21% as compared to the previous year, and the net profit amounted to RMB734 million, representing an increase of RMB158 million or 27.46% as compared to the previous year. The following table sets forth the impacts of changes in the Bank's major profit or loss items on profit before income tax for the year 2021.

Unit: RMB'000

Item	Amount
Profit before income tax in 2020	740,250
Changes in 2021	
Changes in net interest income	181,762
Changes in net fee and commission income	52,335
Changes in net gains on trading activities, net gains on financial investments and other operating income	387,502
Changes in operating expenses	(331,124)
Changes in expected credit losses/other impairment losses	(95,731)
Changes in share of profits of an associate	(688)
Profit before income tax in 2021	934,306

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.2 Operating income

In 2021, the Bank's operating income amounted to RMB3,776 million, representing an increase of RMB622 million or 19.70% as compared to the previous year, of which net interest income accounted for 77.81%, representing a decrease of 9.57 percentage points as compared to the previous year. Net non-interest income amounted to RMB838 million, accounting for 22.19%. The following table sets forth the year-on-year comparison of the components of the Bank's operating income in the past five years.

Item	Unit: %				
	2021	2020	2019	2018	2017
Net interest income	77.81	87.38	96.85	91.64	93.71
Net fee and commission income	1.52	0.16	0.18	0.10	(0.11)
Net gains on trading activities, net gains on financial investments and other operating income	20.67	12.46	2.97	8.26	6.40
<b>Total</b>	<b>100.00</b>	100.00	100.00	100.00	100.00

### 3.3 Net interest income

In 2021, the Bank's net interest income amounted to RMB2,938 million, representing an increase of RMB182 million or 6.59% as compared to the previous year, mainly due to the increase of the business scale but part of the net interest income was offset by the decline in the level of net interest margin. The following table sets forth the average balance, interest income/expense and average yield/cost rate of the assets and liabilities of the Bank for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities are daily average balances.

Item	2021			2020		
	Average balance	Interest income/expense (audited)	Average yield/cost rate	Average balance	Interest income/expense (audited)	Average yield/cost rate
<b>Interest-earning assets</b>						
Customer loans	69,329,722	4,826,397	6.96%	53,699,227	3,829,135	7.13%
Investments <sup>(1)</sup>	32,354,457	1,880,679	5.81%	30,476,285	1,991,383	6.53%
Due from and placements with banks and other financial institutions <sup>(2)</sup>	6,667,779	130,175	1.95%	7,232,679	141,449	1.96%
Balances with central bank	9,504,888	112,748	1.19%	7,851,959	99,973	1.27%
<b>Total</b>	<b>117,856,846</b>	<b>6,949,999</b>	<b>5.90%</b>	99,260,150	6,061,940	6.11%

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

Unit: RMB'000

Item	Average balance	2021 Interest income/expense (audited)	Average yield/cost rate	Average balance	2020 Interest income/expense (audited)	Average yield/cost rate
<b>Interest-bearing liabilities</b>						
Customer deposits	93,599,939	3,095,875	3.31%	74,690,218	2,429,874	3.25%
Due to and placements with banks and other financial institutions <sup>(3)</sup>	5,978,036	169,516	2.84%	5,350,406	181,743	3.40%
Debt securities issued	19,244,612	701,643	3.65%	17,352,344	667,554	3.85%
Others	2,518,279	44,761	1.78%	1,147,619	26,327	2.29%
<b>Total</b>	<b>121,340,866</b>	<b>4,011,795</b>	<b>3.31%</b>	<b>98,540,587</b>	<b>3,305,498</b>	<b>3.35%</b>
Net interest income	-	2,938,204	-	-	2,756,442	-
Net interest spread	-	-	2.59%	-	-	2.75%
Net interest margin	-	-	2.49%	-	-	2.78%

*Notes:*

- (1) Investments indicated in section 3.3 include credit related financial assets, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Amounts due from banks and other financial institutions indicated in section 3.3 include financial assets held under resale agreements.
- (3) Amounts due to banks and other financial institutions indicated in section 3.3 include financial assets sold under repurchase agreements.



## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

In 2021, the average balance of interest-earning assets was RMB117,857 million, representing an increase of RMB18,597 million or 18.74% as compared to the previous year, mainly due to an increase in the volume of loans to customers. Net interest margin was 2.49%, representing a decrease of 0.29 percentage point as compared to the previous year; and net interest spread was 2.59%, representing a decrease of 0.16 percentage point as compared to the previous year, mainly because the increase of interest income from interest-earning assets of the Bank was less than that of interest expense on interest-bearing liabilities.

The following table sets forth the distribution of changes in the Bank's interest income and interest expense due to volume and interest rate changes for the periods indicated: the volume changes were measured by changes in average balance; interest rate changes were measured by changes in average interest rate, and changes in interest income and expense due to volume and interest rate changes were included in the changes in interest income and expense due to volume changes.

Unit: RMB'000

Item	Due to volume	2021vs.2020 Due to interest rate	Net increase (decrease)
<b>Assets</b>			
Customer loans	1,088,119	(90,857)	997,262
Investments	109,173	(219,877)	(110,704)
Due from and placements with banks and other financial institutions	(11,029)	(245)	(11,274)
Balances with central bank	19,607	(6,832)	12,775
<b>Changes in interest income</b>	<b>1,205,870</b>	<b>(317,811)</b>	<b>888,059</b>
<b>Liabilities</b>			
Customer deposits	625,451	40,550	666,001
Due to and placements with banks and other financial institutions	17,797	(30,024)	(12,227)
Debt securities issued	68,991	(34,902)	34,089
Others	24,363	(5,929)	18,434
<b>Changes in interest expense</b>	<b>736,602</b>	<b>(30,305)</b>	<b>706,297</b>
<b>Changes in net interest income</b>	<b>469,268</b>	<b>(287,506)</b>	<b>181,762</b>

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.4 Interest income

In 2021, the Bank's interest income amounted to RMB6,950 million, representing an increase of RMB888 million or 14.65% as compared to the previous year, mainly due to an increase in the volume of interest-earning assets. The interest income from customer loans and investments constituted the major part of the interest income of the Bank.

#### Interest income from customer loans

In 2021, the Bank's interest income from customer loans amounted to RMB4,826 million, representing an increase of RMB997 million or 26.04% as compared to the previous year. The following table sets forth the average balance, interest income and average yield of each component of the customer loans of the Bank for the periods indicated.

Unit: RMB'000

Item	2021			2020		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	61,104,845	4,318,503	7.07%	47,019,672	3,439,969	7.32%
Personal loans	8,224,877	507,894	6.18%	6,679,555	389,166	5.83%
Total customer loans	69,329,722	4,826,397	6.96%	53,699,227	3,829,135	7.13%

#### Interest income from investments

In 2021, the Bank's interest income from investments amounted to RMB1,881 million, representing a decrease of RMB111 million or 5.56% as compared to the previous year, mainly due to a decrease in the average yield of investment assets, but part of the interest income was offset by the increase in the size of investment assets.

#### Interest income from financial assets held under resale agreements, due from other banks and financial institutions

In 2021, the Bank's interest income from financial assets held under resale agreements, due from other banks and financial institutions amounted to RMB130 million, representing a decrease of RMB11 million or 7.97% as compared to the previous year, mainly due to a decrease in the average balance and average yield of deposits and placements with banks and other financial institutions.

#### Interest income from balances with central bank

In 2021, the Bank's interest income from balances with central bank amounted to RMB113 million, representing an increase of RMB13 million or 12.78% as compared to the previous year, mainly due to the increase in the average balance of funds deposited with the central bank.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.5 Interest expense

In 2021, the Bank's interest expense amounted to RMB4,012 million, representing an increase of RMB706 million or 21.37% as compared to the previous year, mainly due to an increase in the volume of interest-bearing liabilities. Interest expenses on customer deposits and debt securities issued constituted the major part of the interest expense of the Bank.

#### Interest expense on customer deposits

In 2021, the Bank's interest expense on customer deposits amounted to RMB3,096 million, representing an increase of RMB666 million or 27.41% as compared to the previous year. The following table sets forth the average balance, interest expense and average cost of each component of the Bank's customer deposits for the periods indicated.

Unit: RMB'000

Item	2021			2020		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
Corporate deposits	45,708,193	1,090,598	2.39%	38,267,263	868,598	2.27%
Personal deposits	47,891,746	2,005,277	4.19%	36,422,955	1,561,276	4.29%
Total deposits	93,599,939	3,095,875	3.31%	74,690,218	2,429,874	3.25%

#### Interest expense on amounts due from and placements with banks and other financial institutions

In 2021, the Bank's interest expense on amounts due from and placements with banks and other financial institutions amounted to RMB170 million, representing a decrease of RMB12 million or 6.73% as compared to the previous year, mainly due to decreases in the average cost of amounts due from and placements with banks and other financial institutions.

#### Interest expense on debt securities issued

In 2021, the Bank's interest expense on debt securities issued amounted to RMB702 million, representing an increase of RMB34 million or 5.11% as compared to the previous year, mainly due to increases in the volume of debt securities issued, while the interest expense was partially offset by a decrease in the average cost.

### 3.6 Net non-interest income

In 2021, the Bank's net non-interest income amounted to RMB838 million, representing an increase of RMB440 million or 110.43% as compared to the previous year. The net fee and commission income as a percentage of operating income was 1.52%, representing an increase of 1.36 percentage points as compared to the previous year. The following table sets forth the major components of the Bank's net non-interest income for the periods indicated.

Unit: RMB'000

Item	2021	2020
Fee and commission income	67,030	11,246
Less: fee and commission expense	(9,610)	(6,161)
Net fee and commission income	57,420	5,085
Net gains on trading activities, net gains on financial investments and other operating income	780,695	393,193
Total net non-interest income	838,115	398,278

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.7 Net fee and commission income

In 2021, the Bank's net fee and commission income amounted to RMB57.420 million, representing an increase of RMB52.335 million or 1,029.20% as compared to the previous year.

Item	Unit: RMB'000	
	2021	2020
Commission income from settlement services	2,339	1,687
Commission income from bank card services	2,023	1,882
Commission income from agency services	975	1,247
Commission income from guarantees and credit commitments	5,840	3,416
Commission income from wealth management agency service	55,790	2,149
Commission income from investment banking services	–	817
Other commission income	63	48
Total	67,030	11,246
Fee and commission expenses	(9,610)	(6,161)
Net fee and commission income	57,420	5,085

In 2021, the Bank's commission income from settlement services amounted to RMB2.339 million, representing an increase of RMB0.652 million or 38.65% as compared to the previous year. Commission income from bank card services amounted to RMB2.023 million, representing an increase of RMB0.141 million or 7.49% as compared to the previous year. Commission income from agency services amounted to RMB0.975 million, representing a decrease of RMB0.272 million or 21.81% as compared to the previous year. Commission income from guarantees and credit commitments amounted to RMB5.840 million, representing an increase of RMB2.424 million or 70.96% as compared to the previous year. Commission income from wealth management agency services amounted to RMB55.790 million, representing an increase of RMB53.641 million as compared to the previous year, mainly because the fee income from non-principal protected wealth management products issued has been recognized. Commission income from investment banking services amounted to RMB0.0 million, representing a decrease of RMB0.817 million or 100.00% as compare to the previous year. Other commission income amounted to RMB0.063 million, representing an increase of RMB0.015 million or 31.25% as compared to the previous year.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.8 Net gains on trading activities, net gains on financial investments and other operating income

In 2021, the Bank's net gains on trading activities, net gains on financial investments and other operating income amounted to a total gain of RMB781 million, representing an increase of RMB388 million or 98.55% as compared to the previous year. Among which, net gains on trading activities increased by RMB309 million as compared to the previous year. Net gains on financial investments increased by RMB92 million as compared to the previous year, mainly due to a significant increase in the holding and trading volume of held-for-trading financial assets. The following table sets forth the major components of the Bank's net gains on trading activities, net gains on financial investments and other operating income for the periods indicated.

*Unit: RMB'000*

Item	2021	2020
Net gains on trading activities	556,697	248,104
Net gains on financial investments	209,548	117,061
Other operating income	14,450	28,028
<b>Total</b>	<b>780,695</b>	<b>393,193</b>

### 3.9 Operating expenses

In 2021, the Bank's operating expenses amounted to RMB1,508 million, representing an increase of RMB331 million or 28.14% as compared to the previous year. Among them, staff costs increased by RMB129 million or 20.04% as compared to the previous year. Business and administrative expenses increased by RMB174 million or 67.29% as compared to the previous year. The following table sets forth the major components of the Bank's operating expenses for the periods indicated.

*Unit: RMB'000*

Item	2021	2020
Staff costs (including Directors' and supervisors' emoluments (allowance inclusive))	774,136	644,912
Business and administrative expenses	432,381	258,469
Depreciation and amortization	180,806	175,895
Tax and surcharges	50,589	38,022
Professional service fees	30,497	33,986
Expenditures on public welfare donations	15,300	5,464
Rental fees	2,909	444
Auditors' remuneration	2,920	2,840
Other business expenses	18,252	16,634
<b>Total</b>	<b>1,507,790</b>	<b>1,176,666</b>

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 3.10 Expected credit losses/other assets impairment losses

In 2021, the Bank's expected credit losses/other assets impairment losses amounted to RMB1,338 million, representing an increase of RMB96 million or 7.71% as compared to the previous year. The following table sets forth the major components of the Bank's expected credit losses for the periods indicated.

Item	<i>Unit: RMB'000</i>	
	2021	2020
ECL for customer loans at amortized cost	1,029,131	726,921
ECL for customer loans – FVOCI	69,691	51,056
ECL for financial investments – credit related financial assets	(9,284)	185,445
ECL for financial assets measured at amortized cost	141,166	162,843
ECL for financial assets – FVOCI	116,409	115,107
ECL for financial assets held under resale agreements, due from other banks and financial institutions	(310)	(563)
Credit losses for guarantee commitments	(14,623)	(930)
Other impairment losses	5,792	2,362
<b>Total</b>	<b>1,337,972</b>	<b>1,242,241</b>

Expected credit losses/other assets impairment losses on loans constituted the largest part of impairment losses on assets. In 2021, the expected credit losses on loans (including discounted bills) amounted to RMB1,099 million, representing an increase of RMB321 million or 41.24% as compared to the previous year.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 4 ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION

#### 4.1 Assets

As of the end of 2021, the Bank's total assets amounted to RMB134,510 million, representing an increase of RMB15,624 million or 13.14% as compared to the end of the previous year, mainly due to the increase of the Bank's customer loans. The following table sets forth the components of the Bank's total assets as of the dates indicated.

*Unit: RMB'000*

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Gross amount of customer loans	74,873,290	55.66	59,623,716	50.15
ECL allowance on loans at amortized cost	(2,637,098)	(1.96)	(2,038,405)	(1.71)
Net customer loans	72,236,192	53.70	57,585,311	48.44
Cash and balances with central bank	10,451,291	7.77	10,490,071	8.82
Due from and placements with banks and other financial institutions	7,452,012	5.54	4,961,948	4.17
Financial investments – credit related financial assets	3,091,019	2.30	3,709,265	3.12
Financial investments – fair value through profit or loss	9,911,333	7.37	16,483,953	13.87
Financial investments – fair value through other comprehensive income	12,834,915	9.54	8,100,931	6.81
Financial investments – amortized cost	16,370,149	12.17	15,670,828	13.18
Investments in associates	48,924	0.04	45,175	0.04
Fixed assets	850,082	0.63	804,894	0.68
Deferred income tax assets	777,630	0.58	628,037	0.53
Other assets	486,581	0.36	405,846	0.34
<b>Total assets</b>	<b>134,510,128</b>	<b>100.00</b>	<b>118,886,259</b>	<b>100.00</b>

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### Customer loans

As of the end of 2021, the gross amount of customer loans amounted to RMB74,873 million, representing an increase of RMB15,250 million or 25.58% as compared to the end of the previous year; net customer loans amounted to RMB72,236 million, representing an increase of RMB14,651 million or 25.44% as compared to the end of the previous year. The following table sets forth the customer loans of the Bank by product type as of the dates indicated.

Unit: RMB'000

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate loans	60,873,007	81.30	46,850,100	78.58
Discounted bills	3,612,243	4.82	4,778,348	8.01
Personal loans	10,167,490	13.58	7,724,429	12.96
Accrued interest	220,550	0.30	270,839	0.45
Gross amount of customer loans	74,873,290	100	59,623,716	100.00
Less: ECL allowance on				
Loans at amortized cost	(2,637,098)	-	(2,038,405)	-
Net customer loans	72,236,192	-	57,585,311	-

#### Corporate loans

As of the end of 2021, the Bank's total corporate loans amounted to RMB60,873 million, representing an increase of RMB14,023 million or 29.93% as compared to the end of the previous year, accounting for 81.30% of the total customer loans, representing an increase of 2.72 percentage points as compared to the end of the previous year.

#### Discounted bills

As of the end of 2021, the Bank's total discounted bills amounted to RMB3,612 million, representing a decrease of RMB1,166 million or 24.40% as compared to the end of the previous year, accounting for 4.82% of the total customer loans, representing a decrease of 3.19 percentage points as compared to the end of the previous year. The decrease in the Bank's total discounted bills was primarily due to the Bank's decreased holding of discounted bills to balance its credit asset structure, taking into account market competition and its loan balance.

#### Personal loans

As of the end of 2021, the Bank's personal loans amounted to RMB10,167 million, representing an increase of RMB2,443 million or 31.63% as compared to the end of the previous year, accounting for 13.58% of the total customer loans, representing an increase of 0.62 percentage point as compared to the end of the previous year. The continual increase in the Bank's personal loans was primarily due to the Bank's successful development and marketing of its personal loan business, in particular personal business loans.



## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### Investments

As of the end of 2021, the carrying value of the Bank's investments amounted to RMB42,207 million, representing a decrease of RMB1,758 million or 4.00% as compared to the end of the previous year. The following table sets forth the components of the Bank's investment portfolio as of the dates indicated.

*Unit: RMB'000*

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Financial investments – credit related financial assets	3,091,019	7.32	3,709,265	8.44
Financial investments – fair value through profit or loss	9,911,333	23.48	16,483,953	37.49
Financial investments – fair value through other comprehensive income	12,834,915	30.41	8,100,931	18.43
Financial investments – amortized cost	16,370,149	38.79	15,670,828	35.64
<b>Total</b>	<b>42,207,416</b>	<b>100</b>	<b>43,964,977</b>	<b>100.00</b>

### *Financial investments – credit related financial assets*

The Bank's credit related financial assets are corporate loans extended through consolidated structured entities (trust plans and asset management plans). The following table sets forth the components of the Bank's credit related financial assets as of the dates indicated.

*Unit: RMB'000*

Item	December 31, 2021	December 31, 2020
Financial investments – credit related financial assets		
– Trust plans	3,219,100	3,896,600
– Asset management plans	–	–
ECL allowance	(237,365)	(246,649)
Accrued interest	109,284	59,314
<b>Total</b>	<b>3,091,019</b>	<b>3,709,265</b>

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### *Financial investments – fair value through profit or loss*

The following table sets forth the components of the Bank's financial assets at fair value through profit or loss as of the dates indicated.

Item	<i>Unit: RMB'000</i>	
	December 31, 2021	December 31, 2020
Financial investments – fair value through profit or loss		
– Listed outside Hong Kong	5,811,882	6,179,494
– Unlisted	4,099,451	10,304,459
<b>Total</b>	<b>9,911,333</b>	<b>16,483,953</b>

### *Financial investments – fair value through other comprehensive income*

The following table sets forth the components of the Bank's financial assets at fair value through other comprehensive income as of the dates indicated.

Item	<i>Unit: RMB'000</i>	
	December 31, 2021	December 31, 2020
Financial investments – FVOCI		
– Listed outside Hong Kong	6,242,629	4,370,987
– Unlisted	6,331,339	3,544,857
Subtotal	12,573,968	7,915,844
Accrued interest	260,947	185,087
<b>Total</b>	<b>12,834,915</b>	<b>8,100,931</b>

### *Financial investments – amortized cost*

The following table sets forth the components of the Bank's financial assets measured at amortized cost as of the dates indicated.

Item	<i>Unit: RMB'000</i>	
	December 31, 2021	December 31, 2020
Financial investments – amortized cost		
– Listed in Hong Kong	31,878	–
– Listed outside Hong Kong	1,168,261	689,931
– Unlisted	15,434,848	15,200,901
Subtotal	16,634,987	15,890,832
Accrued interest	364,088	254,938
Less: ECL allowance	(628,926)	(474,942)
<b>Total</b>	<b>16,370,149</b>	<b>15,670,828</b>

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 4.2 Liabilities

As of the end of 2021, the Bank's total liabilities amounted to RMB124,808 million, representing an increase of RMB14,871 million or 13.53% as compared to the end of the previous year, mainly due to the stable increase in deposits from customers. The following table sets forth the components of the Bank's total liabilities as of the dates indicated.

Unit: RMB'000

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Customer deposits	94,768,521	75.93	85,223,104	77.52
Due to banks and other financial institutions	5,254,141	4.21	4,830,366	4.39
Borrowings from central bank <sup>(1)</sup>	3,557,331	2.85	2,371,331	2.16
Tax payable	400,334	0.32	324,365	0.29
Debt securities issued	20,141,958	16.14	16,598,490	15.10
Other liabilities	685,686	0.55	589,654	0.54
Total liabilities	124,807,971	100.00	109,937,310	100.00

Note:

- (1) As of December 31, 2021, the borrowings from central bank amounted to RMB3,557,331 thousand, subject to fixed interest rate.

### Customer deposits

As of the end of 2021, the Bank's total customer deposits amounted to RMB94,769 million, representing an increase of RMB9,545 million or 11.20% as compared to the end of the previous year, accounting for 75.93% of the Bank's total liabilities, being the Bank's primary source of funding. The following table sets forth the components of the Bank's deposits from customers by product type and customer type as of the dates indicated.

Unit: RMB'000

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate deposits	41,445,360	43.73	42,323,455	49.66
Demand deposits	33,352,878	35.19	34,774,888	40.80
Time deposits	8,092,482	8.54	7,548,567	8.86
Personal deposits	51,781,061	54.64	41,781,191	49.03
Demand deposits	10,616,234	11.20	6,316,539	7.41
Time deposits	41,164,827	43.44	35,464,652	41.62
Accrued interest payable	1,542,100	1.63	1,118,458	1.31
Total deposits from customers	94,768,521	100.00	85,223,104	100.00

As of the end of 2021, the Bank's corporate demand deposits accounted for 35.19% of total deposits from customers, representing a decrease of 5.61 percentage points as compared to the end of the previous year. Among those deposits, corporate demand deposits accounted for 80.47% of corporate deposits, representing a decrease of 1.69 percentage points as compared to the end of the previous year; and personal demand deposits accounted for 20.50% of personal deposits, representing an increase of 5.38 percentage points as compared to the end of the previous year.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Due to banks and other financial institutions

As of the end of 2021, the Bank's deposits from banks and other financial institutions amounted to RMB5,254 million, representing an increase of RMB424 million or 8.77% as compared to the end of the previous year.

## Debt securities issued

As of the end of 2021, the debt securities issued amounted to RMB20,142 million, representing an increase of RMB3,543 million or 21.35% as compared to the end of the previous year.

## 4.3 Equity attributable to shareholders

As of the end of 2021, the Bank's equity attributable to shareholders amounted to RMB9,702 million, representing an increase of RMB753 million or 8.42% as compared to the end of the previous year.

Item	Unit: RMB'000	
	December 31, 2021	December 31, 2020
Share capital	2,717,752	2,264,793
Other equity instrument	1,696,824	1,696,824
Capital surplus	1,786,355	2,239,314
Other reserves	2,329,815	1,750,824
Retained earnings	1,171,411	997,194
Total equity attributable to shareholders	9,702,157	8,948,949

## 5 OTHER FINANCIAL INFORMATION

### 5.1 Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitments, operating lease commitments and capital commitments. Credit commitments are the most principal components and as of the end of the Reporting Period, the balance of credit commitments amounted to RMB805 million.

### 5.2 Overdue and outstanding debts

As of the end of the Reporting Period, the Bank had no overdue or outstanding debts.

### 5.3 Assets pledged

As of the end of the Reporting Period, some of the Bank's assets were pledged as collaterals under repurchase agreements with banks and other financial institutions, please refer to Note 36 to the financial statements for details.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 6 ANALYSIS OF LOAN QUALITY

During the Reporting Period, the Bank continued to strengthen its dynamic monitoring on changes in credit asset quality and thoroughly implemented various regulatory policies, and the scale of credit assets maintained growth. Due to the complex and changing economic environment, certain companies have struggled with operating difficulties under the impact of the post-pandemic economy. The Bank continuously strengthened internal management, enhanced risk control ability, and resolved loan risks through multiple ways and channels. The level of provision coverage met regulatory requirements and the quality of our loans was strictly controlled. As at the end of the Reporting Period, the Bank's total loans amounted to RMB74,653 million, representing an increase of 25.78% as compared to the end of the previous year; total NPLs amounted to RMB1,059 million, representing a decrease of RMB29 million as compared to the end of the previous year, and the NPL ratio was 1.42%, representing a decrease of 0.41 percentage point as compared to the end of the previous year.

#### Distribution of Loans by Five-Category Classification

Unit: RMB'000

Item	December 31, 2021		December 31, 2020	
	Amount	% of total	Amount	% of total
Normal loans	73,121,165	97.95	57,471,797	96.83
Special mention loans	472,876	0.63	793,514	1.34
Substandard loans	990,160	1.33	1,048,660	1.77
Doubtful loans	65,814	0.09	38,605	0.06
Loss loans	2,725	0.00	301	0.00
<b>Total principals of customer loans</b>	<b>74,652,740</b>	<b>100</b>	<b>59,352,877</b>	<b>100.00</b>
<b>Total NPLs</b>	<b>1,058,699</b>	<b>1.42</b>	<b>1,087,566</b>	<b>1.83</b>

Pursuant to the regulatory requirements on risk-based classification of loans, the Bank has adopted five-category classification to manage the quality of loans. NPLs include loans classified as substandard, doubtful and loss. As at the end of the Reporting Period, the percentage of substandard loans decreased by 0.44 percentage point to 1.33% as compared to the previous year, the percentage of doubtful loans increased by 0.03 percentage point to 0.09% as compared to the previous year, and there was no change in the percentage of loss loans compared to the previous year-end, both at 0.00%.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Distribution of Loans and NPLs by Industry

Unit: RMB'000

Item	December 31, 2021				December 31, 2020			
	Amount of loans	% of total	Amount of NPLs	NPL ratio%	Amount of loans	% of total	Amount of NPLs	NPL ratio%
Corporate loans	60,873,007	81.54	899,070	1.48	46,850,100	78.94	1,013,350	2.16
Leasing and business services	21,724,771	29.10	515,658	2.37	18,232,413	30.72	-	-
Construction	14,275,490	19.12	62,147	0.44	8,649,466	14.57	53,800	0.62
Wholesale and retail	3,972,040	5.32	50,923	1.28	3,274,977	5.52	150,460	4.59
Manufacturing	2,760,512	3.70	86,550	3.14	2,753,852	4.64	563,073	20.45
Real estate	8,757,758	11.73	145,610	1.66	6,883,760	11.60	145,610	2.12
Accommodation and catering	823,652	1.10	-	-	967,016	1.63	39,738	4.11
Education	1,357,700	1.82	-	-	1,277,300	2.15	-	-
Water, environment and public utilities	2,856,439	3.83	-	-	1,825,815	3.08	-	-
Transportation, warehousing and express services	183,269	0.25	25,669	14.01	213,019	0.36	25,669	12.05
Others	4,161,376	5.57	12,513	0.30	2,772,482	4.67	35,000	1.26
Discounted bills	3,612,243	4.84	-	-	4,778,348	8.05	-	-
Retail loans	10,167,490	13.62	159,629	1.57	7,724,429	13.01	74,216	0.96
Total customer loans	74,652,740	100.00	1,058,699	1.42	59,352,877	100.00	1,087,566	1.83

In 2021, the Bank actively optimized the allocation of risk assets, served the real economy, proactively adjusted the credit structure, increased credit support to small and micro enterprises, agriculture-related economy and people's livelihood projects, and strictly controlled the credit investment in industries with overcapacity and uncertain outlook, so that the anti-risk capability of new credit assets was continuously enhanced. In terms of industry distribution, the Bank's corporate NPLs mainly included leasing and business services, real estate, manufacturing and construction, accounting for 90.09% of the total corporate NPLs.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Distribution of Loans and NPLs by Product Type

Unit: RMB'000

Item	December 31, 2021				December 31, 2020			
	Amount of loans	% of total	Amount of NPLs	NPL ratio%	Amount of loans	% of total	Amount of NPLs	NPL ratio%
Corporate loans	60,873,007	81.54	899,070	1.48	46,850,100	78.94	1,013,350	2.16
Working capital loans	39,598,201	53.04	233,946	0.59	26,672,147	44.94	379,929	1.42
Fixed asset loans	21,274,806	28.50	665,124	3.13	20,177,953	34.00	633,421	3.14
Others	-	-	-	-	-	-	-	-
Discounted bills	3,612,243	4.84	-	-	4,778,348	8.05	-	-
Retail loans	10,167,490	13.62	159,629	1.57	7,724,429	13.01	74,216	0.96
Individual housing loans	2,696,391	3.61	36,018	1.34	2,118,017	3.56	31,292	1.48
Personal business loans	5,979,097	8.01	108,011	1.81	4,516,094	7.61	40,183	0.89
Personal consumption loans	1,492,002	2.00	15,600	1.05	1,090,318	1.84	2,741	0.25
Others	-	-	-	-	-	-	-	-
<b>Total customer loans</b>	<b>74,652,740</b>	<b>100.00</b>	<b>1,058,699</b>	<b>1.42</b>	<b>59,352,877</b>	<b>100.00</b>	<b>1,087,566</b>	<b>1.83</b>

Under the background of the transformation of old and new driving forces and the continuous promotion of supply-side reform, the Bank actively addressed the changes of demand for effective credits, and maintained rapid growth of corporate loan scale while adhering to the principle of prudent extension. At the end of the Reporting Period, the proportion of corporate loans of the Bank increased by 2.6 percentage points to 81.54% compared with the end of the previous year, and the NPL ratio of corporate loans decreased by 0.68 percentage point to 1.48% compared with the end of the previous year.

The Bank steadily developed its retail loan business and actively innovated retail business products. The balance of retail loans increased by RMB2,443 million as compared with the beginning of the year, the proportion of retail loans increased by 0.61 percentage point to 13.62%, and the NPL ratio of retail loans increased by 0.61 percentage point to 1.57% as compared with the end of the previous year.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### Distribution of Loans and NPLs by Geographical Region

Unit: RMB'000

Region	December 31, 2021				December 31, 2020			
	Amount of loans	% of total	Amount of NPLs	NPL ratio%	Amount of loans	% of total	Amount of NPLs	NPL ratio%
Luzhou	50,206,812	67.25	1,025,974	2.04	48,100,929	81.04	1,064,131	2.21
Outside Luzhou	24,445,928	32.75	32,725	0.13	11,251,948	18.96	23,435	0.21
<b>Total customer loans</b>	<b>74,652,740</b>	<b>100.00</b>	<b>1,058,699</b>	<b>1.42</b>	<b>59,352,877</b>	<b>100.00</b>	<b>1,087,566</b>	<b>1.83</b>

The Bank continuously optimized the regional allocation of credit resources and enhanced risk management and control in key industries by serving the economy of Luzhou and actively expanding its cross-regional business. Due to disparities in regional economies and other factors, the newly increased NPLs were mainly attributable to Luzhou region.

### Distribution of Loans and NPLs by Collateral

Unit: RMB'000

Item	December 31, 2021				December 31, 2020			
	Amount of loans	% of total	Amount of NPLs	NPL ratio%	Amount of loans	% of total	Amount of NPLs	NPL ratio%
Unsecured loan	9,803,584	13.13	118,907	1.21	5,757,772	9.70	28,450	0.49
Guaranteed loans	34,796,495	46.61	82,710	0.24	25,007,860	42.14	814,507	3.26
Collateralized loans	20,263,575	27.14	854,226	4.22	18,056,487	30.42	240,561	1.33
Pledged loans	9,789,086	13.11	2,856	0.03	10,530,758	17.74	4,048	0.04
<b>Total customer loans</b>	<b>74,652,740</b>	<b>100.00</b>	<b>1,058,699</b>	<b>1.42</b>	<b>59,352,877</b>	<b>100.00</b>	<b>1,087,566</b>	<b>1.83</b>

The Bank enhanced risk prevention and control through risk mitigation measures such as adding in guarantors and collaterals, with guaranteed loans and collateralized loans accounting for 73.75%.



## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### Loans to Our Ten Largest Single Borrowers

Unit: RMB'000

Name of borrowers	Industry	Amount of loans as at the end of the Reporting Period	% of net capital base	% of total loans
A	Construction	986,000	7.41	1.32
B	Real estate	948,000	7.13	1.27
C	Construction	880,000	6.62	1.18
D	Construction	830,000	6.24	1.11
E	Construction	800,000	6.02	1.07
F	Leasing and business services	800,000	6.02	1.07
G	Leasing and business services	780,000	5.87	1.04
H	Leasing and business services	754,000	5.67	1.01
I	Real estate	750,000	5.64	1.00
J	Leasing and business services	700,000	5.26	0.94
Total		8,228,000	61.87	11.02

As at the end of the Reporting Period, the total loans of the ten largest single borrowers of the Bank amounted to RMB8,228 million, accounting for 61.87% of the Bank's net capital base and 11.02% of the Bank's total loans. The loan balance of the largest single borrower was RMB986 million, accounting for 7.41% of the Bank's net capital base.

### Distribution of Loans by Period Overdue (excluding accrued interest)

Unit: RMB'000

Period overdue	December 31, 2021		December 31, 2020	
	Amount	% of total loans	Amount	% of total loans
Overdue for up to 3 months (inclusive)	1,249,129	1.67	552,904	0.93
Overdue for over 3 months up to 1 year (inclusive)	145,337	0.19	358,048	0.60
Overdue for over 1 year up to 3 years (inclusive)	268,758	0.36	235,452	0.40
Overdue for over 3 years	26,456	0.04	1,322	0.00
Total overdue loans	1,689,680	2.26	1,147,726	1.93
Total customer loans	74,652,740	100	59,352,877	100.00

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB1,690 million, representing an increase of RMB542 million as compared to the end of the previous year. The percentage of overdue loans in the Bank's total loans was 2.26%, representing an increase of 0.33 percentage point as compared to the end of the previous year. Among them, loans overdue for up to 3 months (inclusive) amounted to RMB1,249 million, accounting for 73.93% of overdue loans. The Bank has adopted a stricter classification criterion, under which loans whose principal or interest has been overdue for over 1 day (inclusive) would be deemed as overdue loans.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### Foreclosed Assets and Provision for Impairment Allowance

As at the end of the Reporting Period, the Bank's total foreclosed assets amounted to RMB41,940 thousand with provision for impairment allowance of RMB15,310 thousand, and the net foreclosed assets amounted to RMB26,630 thousand.

### Changes in the Expected Credit Losses of Loans

Starting from January 1, 2018, under the requirements of IFRS 9, we classify our customer loans using a "three-stage" model: (1) Stage 1 (Normal Credit Quality) refers to customer loans that have not had a significant increase in credit risk and for which the expected credit losses in the next 12 months will be recognized; (2) Stage 2 (Significant Increase in Credit Risk) refers to customer loans that have had a significant increase in credit risk and for which the expected credit losses lifetime will be recognized; (3) Stage 3 (Credit-impaired) refers to customer loans that have objective evidence of impairment and for which the expected credit losses lifetime will be recognized.

The following table sets forth the changes in the Bank's expected credit loss for loans in the year indicated:

Item	Unit: RMB'000	
	2021	2020
Balance at the beginning of the year	2,038,405	1,459,984
Provision/reversal for the year	1,029,131	726,921
Written-offs and disposals for the year	(456,675)	(234,496)
Recoveries of loans written-off in the previous year	26,466	61,609
Unwind of discount	(229)	24,387
<b>Balance at the end of the year</b>	<b>2,637,098</b>	<b>2,038,405</b>

As at the end of the Reporting Period, the Bank's balance of expected credit loss for loans amounted to RMB2,637 million, representing an increase of RMB599 million or 29.37% as compared to the end of the previous year.

### Corresponding Measures Taken against Non-performing Assets

During the Reporting Period, the Bank adopted the following key measures to manage non-performing assets to enhance management and control of the asset quality, ensuring its stability:

Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing of non-performing loans. Firstly, we have ensured in-advance intervention; specifically, we have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; secondly, we have worked out "one-customer, one-policy" risk mitigation plan in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency and reduced collection costs through non-litigation collection, litigation or arbitration collection, and enforcement of notarization; thirdly, we have explored possibilities of resolving non-performing assets through multiple channels including assignment of creditor's rights based on the traditional collection means; fourthly, we have wrote off loans which could be written-off, if appropriate, to optimize the credit asset structure; fifthly, we have established good communication mechanisms with relevant government departments and peer institutions to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Credit Extension to Group Customers and Risk Management

The Bank adhered to the principles of “implementing unified credit extension, providing an appropriate amount and conducting real-time monitoring” in extending credit to group customers. Firstly, to prevent large-sum credit risk, the Bank implemented unified management of credit extension to group customers and consolidated the total credit amount extended to group members to determine the authority of credit review and approval. Secondly, the Bank strengthened the identification of group customers and invisible relationship among enterprises and identified the invisible relationship among corporate customers by such dimensions as corporate product flow, corporate capital flow, corporate guarantee circle and family ties of actual controllers. Thirdly, the Bank strengthened and timely monitored unified management of credit extension to group customers. The Bank controlled the credit limit through establishing credit account of group customers, combed and updated the list of group customers in a timely manner and prudently approved credit limit to prevent concentration risk and improve its group customer management level on an ongoing basis.

## Discount Loans Representing over 20% (Inclusive) of the Total Loans as at the end of the Reporting Period

As at the end of the Reporting Period, the Bank had no discount loans representing 20% (inclusive) or more of the total loans.

## 7 ANALYSIS OF CAPITAL ADEQUACY RATIOS

The capital management of the Bank, while satisfying regulatory requirements, is targeted to constantly enhance the ability to resist risk of capital and boost return on capital, and on this basis, it reasonably sets the Bank’s capital adequacy ratio target and guides business development by means of performance appraisal and capital allocation to achieve the coordinated development of its overall strategy, business development and capital management strategy.

We conduct regular internal capital evaluation to evaluate our capital adequacy and risk resistance ability by reference to stress testing. According to our internal capital evaluation and risk profile, we adjust our capital plans in a timely manner, optimize resources allocation and guide the transformation of branches and management departments to capital-light business to meet the planned capital adequacy ratio target.

We calculate our capital adequacy ratio in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (CBIRC Order [2012] No. 1) 《(商業銀行資本管理辦法(試行))》(中國銀行保險監督管理委員會令 2012 年第 1 號) issued by the CBIRC and other relevant regulatory provisions. The on-balance-sheet credit risk-weighted assets are calculated with different risk weights determined in accordance with each asset, the credit of the counterparty, market and other relevant risks and by considering the effects of qualified pledge and guarantee; the same approach is also applied to the calculation of off-balance-sheet credit risk exposure. Market risk-weighted assets are calculated using the standardized approach, and the operational risk-weighted assets are calculated using the basic indicator approach. During the Reporting Period, we complied with the capital requirements prescribed by regulatory authorities.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

The following table sets forth the information of our capital adequacy ratio as at the dates indicated.

	December 31, 2021	December 31, 2020
	<i>Unit: RMB'000</i>	
<b>Total capital before deductions</b>	<b>13,297,005</b>	12,399,788
Of which: Core tier-one capital	<b>8,005,333</b>	7,252,125
Additional tier-one capital	<b>1,696,824</b>	1,696,824
Tier-two capital	<b>3,594,848</b>	3,450,839
 Total net capital	 <b>13,297,005</b>	 12,399,788
 <b>Net core tier-one capital</b>	 <b>8,005,333</b>	 7,252,125
<b>Net additional tier-one capital</b>	<b>1,696,824</b>	1,696,824
<b>Net tier-one capital</b>	<b>9,702,157</b>	8,948,949
 Total risk-weighted assets	 <b>99,502,890</b>	 89,382,809
 <b>Core tier-one capital adequacy ratio</b>	 <b>8.05%</b>	 8.11%
<b>Tier-one capital adequacy ratio</b>	<b>9.75%</b>	10.01%
<b>Capital adequacy ratio<sup>(1)</sup></b>	<b>13.36%</b>	13.87%

At the end of the Reporting Period, the Bank had a capital adequacy ratio of 13.36%, representing a decrease of 0.51 percentage point as compared to the end of the previous year, which was 2.86 percentage points higher than the regulatory requirement; and a tier-one capital adequacy ratio of 9.75%, representing a decrease of 0.26 percentage point as compared to the end of the previous year, which was 1.25 percentage points higher than the regulatory requirement and a core tier-one capital adequacy ratio of 8.05%, representing a decrease of 0.06 percentage point as compared to the end of the previous year, which was 0.55 percentage point higher than the regulatory requirement. The change in our capital adequacy ratio during the Reporting Period was primarily because the overall risk-weighted assets increased as a result of the Bank's business development needs, and accordingly the capital adequacy ratio was lower as compared to the beginning of the year. Thus, our capital adequacy ratio at each tier was higher than regulatory standards.

Note:

(1) Capital adequacy ratio = total net capital/total risk-weighted assets.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 8 RISK MANAGEMENT

### Credit Risk

We adhered to the risk control principle of “active compliance, strict risk control and internal control strengthening” and kept intensifying efforts for credit risk management through credit extension structure optimization, credit system improvement, credit staff cultivation and internal examination enhancement, non-performing loan reduction, etc. During the Reporting Period, we intensified credit risk management mainly in the following aspects:

1. Optimizing credit structure adjustment by adhering to the guidance of government policies. To actively respond to the national economic development strategy, focusing on the national direction of industrial structure adjustment, keeping up with the regional economic development strategy, further scientifically digging of and reasonably allocating our credit resources and promoting a sustainable and healthy development of our credit business.
2. Strengthening credit extension review and approval, and strictly implementing hierarchical authorization management for credit business. We strengthened unified credit extension and unified management, and implemented hierarchical authorization for credit extension business according to our business development needs; enhanced credit extension risk review and strictly implemented the independent review and approval mechanism based on the principle of “objectivity and fairness, legal review, independent credit granting/approval, and responsibility for risks” and “substance is more important than form”, with a focus on the review of industrial policies, credit policies, use of loan, repayment ability and guarantee ability. We reinforced credit extension management of the Group and laid emphasis on prevention of customer risks associated with long position financing and excessive credit extension. We also effectively identified high-risk customers, focused on substantial risks and proposed risk prevention measures to strictly control risks.
3. Strengthening risk screening and risk control in key areas. In accordance with the requirements of the regulatory authorities and our risk management and control, the Bank actively carried out various types of risk screening.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

4. Preventing post-loan risks and strengthening post-loan management examinations for credit business. In order to prevent post-loan risks for credit business, supervise post-loan management personnel at all levels to fulfill their post-loan management responsibilities and continuously have a full grasp of the customers' risk profiles. We actively conducted regular and irregular examinations on post-loan management for major credit customers and customers with potential risks. Regarding problems discovered during the examinations, we demanded each responsible department to make correction in a timely manner, to strengthen post-loan management and to improve our credit risk management and control capabilities.
5. Strengthening the monitoring of overdue loans and loans that were showing other early warning signs, and properly collecting and disposing of non-performing loans. We have strengthened asset quality screening and management of loans associated with risk warnings, formulated risk prevention and control measures in a timely manner, and firmly prevented loans from turning into non-performing loans; we have worked out "one-customer, one-policy" risk mitigation plans in light of the specific situations of non-performing loans, and enhanced collection efforts and efficiency through non-litigation collection, litigation or arbitration collection, enforcement of notarization and credit assignment; we have established good communication mechanisms with peer institutions and government departments to maintain an open channel to convey information, and jointly address potential problems arising from corporate operations by concerted efforts.
6. Strengthening the construction of credit team and promoting high-quality and effective development of the credit business. With the purpose of "reality in touch, demand satisfaction, rapid improvement and effectiveness", we conducted themed training through external experts and internal business backbone personnel. Supplemented with tests or exams, we kept enhancing the training and guidance for credit line staff, improved the business ability and risk compliance awareness of our credit line staff across the Bank and established an enterprise risk control culture that was able to prevent and control substantial risks and cases.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Operational risk

Operational risk refers to the risk of loss arising from inadequate or problematic internal procedures, employees and information technology systems, and external events.

We continuously strengthened the prevention and control measures of operational risk and prevent systematic operational risks and major operational risks losses. As at the end of the Reporting Period, there was no material operational risk event or case risk event.

As the top decision-making body of our operational risk management, our Board bears the ultimate responsibility for monitoring the effectiveness of operational risk management, works out operational risk management strategies and general policies that are consistent with our strategic objectives and applicable to the Bank, and regularly reviews the operational risk reports submitted by our senior management to fully understand our overall operational risk management and the effectiveness of major operational risk events handled by our senior management. Our Board of Supervisors is responsible for supervising the performance of duties by our Board and senior management on operational risk management and providing relevant supervision opinions. Our senior management is responsible for implementing the operational risk management strategies, overall policy and system approved by our Board, formulating, reviewing periodically and supervising the implementation of policies, procedures and operating regulations of the operational risk management, and adopting corresponding risk control measures to comprehensively prevent and control operational risks. The Bank has set up Operational Risk Management Committee which is responsible for operational risk prevention and control across the Bank. During the Reporting Period, the Bank constantly improved the prevention and control system of operational risk, gradually accomplished the operational risk prevention and control work structure of the case prevention prospect, the stage-gate ante-displacement and methods of case prevention, and improved the long-term mechanism of prevention and control of case and operational risk. We intensified operational risk management mainly in the following aspects.

1. Reinforce internal control level. We optimized the system, process and standards, strengthened special inspections and risk assessment of key businesses, strengthened the implementation and execution of regulations mechanism, and guarded against the potential dangers of operational risk based on the analysis of key indicators of risk control and early warnings.
2. Promote the publicity of compliance culture. We organized publicity, training and competitions, adhered to the guidance of culture, launched the “strengthening compliance awareness and preventing operational risks” and the “Internal Control and Compliance Management Construction Year” activities, strengthening compliance awareness, and cultivating a compliance culture.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

3. Strengthen the management and control of employee behavior. We implemented daily check, work shift, compulsory vacation, observed the abnormal behavior of employees, especially reinforced staff management in the special period, actively dealt with COVID-19 epidemic prevention and control, and effectively guarded against operational risks of employees.
4. Optimize the operational risk system. We adjusted the model, index and performance, improved the hard control capability of the system, effectively combined the “technologic risk prevention” with “artificial risk prevention”, and gave full play to the role of risk control during the process.
5. Raise the level of risk control in science and technology. We paid close attention to operation and maintenance, contingency plans and outsourcing business, consolidated business continuity management, carried out disaster preparedness drills, ensured the safe operation of the system, deepened the hierarchical management of outsourcing business, and strictly abided by the bottom line of “never outsource safety responsibilities and never lower safety standards”.

## Market risk

Market risk refers to the risk of any loss in our on-balance-sheet and off-balance-sheet activities caused by any adverse change in market prices (interest rates, exchange rates, stock prices and commodity prices). The market risks we face mainly include interest rate risk and exchange rate risk. Our market risk management aims at controlling market risks at an acceptable and reasonable range and achieving continuous and healthy development of various businesses.

Our organizational system for market risk management is jointly constituted by the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee and Market Risk Management Committee, Risk Management Department, Internal Audit Department, Assets and Liabilities Management Department, International Business Department, Financial Markets Department, each business department and branches of head office. The Board assumes ultimate responsibility for market risk management. The senior management assumes implementation responsibility of market risk management and is responsible for organizing bank-wide market risk management. The Market Risk Management Committee under the senior management is the Bank’s deliberation and decision-making body for market risk management and is responsible for deliberating on major market risk management issues. Each department carries out its work in accordance with the division of responsibilities.

In accordance with the requirements of the Guidelines on Market Risk Management of Commercial Banks 《商業銀行市場風險管理指引》, Guidelines for the Internal Control of Commercial Banks 《商業銀行內部控制指引》 and Guidelines of Bank Book Interest Rate Risk Management of Commercial Banks 《商業銀行銀行賬簿利率風險管理指引》, we formulated the operation-suiting basic system of market risk and bank book interest rate risk appetite and the basic system for market risk and bank book interest rate risk management, set up market risk and bank book interest rate risk limit indicators, and conducted classification management on transaction accounts and bank accounts. We optimized market risk management system and continued to improve risk management efficiency through such measures as authorization, credit extension, limit, inspection and report.



# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 1. Interest rate risk analysis

Our interest rate risks arise primarily from the mismatch in the repricing periods of interest rates on assets and liabilities and the impact of changes in market interest rates on asset trading positions. We adopted corresponding measures such as identification, measure, inspection and control according to different nature and feature of bank accounts and transaction accounts.

With respect to the repricing risk in assets and liabilities businesses, we mainly measured the interest rate sensitivity gap periodically, analysed the interest rate risk we could bear through the gap and further evaluated the impacts of changes in interest rates on net interest incomes and net values. We took measures in a timely manner to adjust the asset-liability product portfolio and ceiling and the pricing method of deposit and loan interest rate to ensure the risk level control is within the acceptable range, in line with internal and external management needs.

With respect to the interest rate risk of asset trading positions, we paid close attention to the domestic and oversea macro economy conditions and market liquidity changes and conducted market risk control through such measures as position setting and limit control. We used system to conduct measurement, inspection and daily management on market risk, implemented valuation to transaction positions every day, continuously inspected transaction limits, stop-loss limits and other indicators, and regularly and effectively monitored, managed and reported the implementation of risk limits.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 2. Interest rate sensitivity analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net interest income. The following table sets forth, as at December 31, 2021 and 2020, the results of our interest rate sensitivity analysis based on our assets and liabilities at the same dates.

*Unit: RMB'000*

	Expected changes of net interest income	
	December 31, 2021	December 31, 2020
+ 100 basis points parallel move in all yield curves	(142,445)	(175,679)
- 100 basis points parallel move in all yield curves	142,445	175,679

The table below illustrates the potential impact of 100 basis points move in all yield curves on the other comprehensive income of the Bank.

*Unit: RMB'000*

	Changes of other comprehensive income	
	December 31, 2021	December 31, 2020
+ 100 basis points parallel move in all yield curves	(275,385)	(213,359)
- 100 basis points parallel move in all yield curves	284,923	265,033

## 3. Exchange rate sensitivity analysis

Exchange rate risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's imbalance between foreign currency assets and liabilities. Currently, our exchange rate risk arises primarily from the temporary risk of conversion of proceeds from overseas H Share offering due to exchange rate fluctuations, and the percentage of such capital is low, therefore, the adverse effect of exchange rate risk has been kept under our control. The following table sets forth, as at December 31, 2021 and 2020, the results of our exchange rate sensitivity analysis based on our assets and liabilities at the same dates.

*Unit: RMB'000*

	Expected changes of profit/(loss) before tax	
	December 31, 2021	December 31, 2020
1% increase in foreign exchange rate against RMB	7,869	7,744
1% decrease in foreign exchange rate against RMB	(7,869)	(7,744)

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Liquidity Risk Management and Analysis

Liquidity risk refers to the risk that the commercial banks cannot timely obtain sufficient funds at reasonable costs for repaying mature debts, performing other payment obligations and satisfying other capital needs for normal business operation.

Our liquidity risk management aims at fully identifying, measuring and monitoring the liquidity risk in our business lines and links by establishing and continuously improving the strategies, policies, procedures and management systems; ensuring sufficient funds to meet the needs for paying debts due and funding business operation in normal operation and stressful situations; and achieving the coordination and unity between safety, liquidity and profitability in business development to promote our sustainable and healthy operation.

To improve the effectiveness of liquidity risk management, we have established a governance structure for liquidity risk management according to the principle of separating the functions of formulating, implementing and supervising liquidity risk management policies, which provides the duties and reporting lines of the Board and its committees, the Board of Supervisors, senior management and its Centralized Risk Management Committee, Liquidity Risk Management Committee and our related departments, branches and sub-branches in respect of liquidity risk management. We have implemented a stable liquidity risk appetite better suiting our current development. Currently, our liquidity risk management policies and systems are in line with regulatory requirements and our management needs.

We carry out centralized management on liquidity risk. By improving the system for liquidity risk management, we fully identify, accurately measure, continuously monitor, effectively control and timely report liquidity risk from two aspects: short-term provision and mid-and-long term structure with the information system for liquidity risk management, continuously monitor and analyse the future cash flow and various limits and indicators, and periodically conduct stress testing to judge whether we have the ability to meet the liquidity needs in extreme cases. In addition, we have formulated a liquidity risk contingency plan which we regularly test and evaluate.

We hold adequate high-quality liquid assets to ensure our liquidity needs, and have sufficient funds to meet unforeseeable potential payment needs in daily operation. Most of our funds are from customer deposits, which constituted a stable fund resource due to their steady growth, wide varieties and diversified terms during the Reporting Period.

With a sound and compliant internal control system for liquidity risk management, we carry out special internal audit on liquidity risk in due course and form an audit report which will be submitted to the Board.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

In 2021, while paying close attention to changes in macro finance and economy, we continuously enhanced fine management of liquidity risk. During the Reporting Period, we intensified liquidity risk management mainly in the following aspects:

1. We continuously optimized liquidity risk management and improved the system for liquidity risk management.
2. We intensified our efforts in marketing of deposits, particularly the marketing of personal savings and stable deposits from quality small and medium-sized customers, to promote the growth of various deposits and continuously improve the overall stability of our liabilities.
3. We paid close attention to financial and economic situations at home and abroad and changes of market liquidity, and made prudent and reasonable judgement to timely adjust our assets and liabilities management strategies; continuously and dynamically monitored various indicators and limits management of liquidity risk through the information system for liquidity risk management and made fund arrangements in advance to ensure sufficient provisions and controllable liquidity risks.
4. We continuously optimized asset-liability structure by constantly intensifying the bidirectional management of assets and liabilities, improving the stability of liabilities through multiple channels, rationally arranging for asset issuance and avoiding centralized maturity of liabilities.
5. We designed several stress scenarios and conducted periodic liquidity risk-related stress testing in strict accordance with relevant provisions under the Administrative Measures on Liquidity Risk Management of Commercial Banks 《商業銀行流動性風險管理辦法》 issued by China Banking and Insurance Regulatory Commission, various macro and micro factors which could affect our liquidity and features, scale, nature, complexity and risk profile of our business.

As of the end of the Reporting Period, we witnessed a liquidity ratio of 87.79%, 62.79 percentage points higher than relevant regulatory requirements; a high-quality liquidity asset adequacy ratio of 238.49%, 138.49 percentage points higher than relevant regulatory requirements; and a liquidity matching ratio of 156.64%, 56.64 percentage points higher than relevant regulatory requirements, which reflected that our major liquidity indicators were much higher than regulatory requirements.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Information Technology Risk Management

Information technology risks represent operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human factors, technical loopholes and management failure arising from the process of using information technology in commercial banks.

The Bank has established comprehensive information technology risk management system in accordance with *Guidelines on the Information Technology Risk Management of Commercial Banks*, *Regulatory Guidelines on the Business Continuity of Commercial Banks*, *Regulatory Guidelines for Information Technology Outsourcing Risk of Banking Institutions* and the *Measures for the Commissioning and Change of Important Information Systems of Banking Institutions* and prevented major information technology risk events through technical and management measures, so as to ensure the smooth operation of the information system, and support rapid development of business. As of the end of the Reporting Period, there were no major information technology risk events.

The information technology risk management organization system of the Bank consists of the Board of Directors, senior management, Information technology management committee, Information technology risk management committee, System development department, IT department, IT innovation center, Operation management department, Risk management department, Internal audit department and information technology personnel at the level of branch and sub-branch. The Board of Directors assumes the ultimate responsibility for information technology risk management and reviews information technology risk management preferences, limits, and overall risk profile, etc. The senior management is responsible for organizing the Bank's information technology risk management, and the Risk management department is responsible for taking the lead in conducting specific work. The Information technology management committee is responsible for reviewing major issues, such as the construction of information technology projects and the annual information technology work plan. The Information technology risk management committee is responsible for reviewing major issues concerning information technology risks, such as risk assessment reports and risk profile reports.

The information technology risks of the Bank mainly include network security risk, business continuity risk and outsourcing risk. The network security risk is mainly reflected in the threat of hackers and viruses on the security of the internet information system and client applications. The business continuity risk is mainly reflected in the highly reliance of business on information systems, and the information technology system becomes increasingly complex while customers' requirements for service levels are constantly rising. The outsourcing risk is mainly reflected in the high reliance of the construction and continuous upgrading of information systems on outsourcing companies, and thus there may be sensitive information leakage, unstable quality of development and testing, and abnormal service termination of outsourcers. The Bank mainly adopted the following measures to cope with the aforementioned risks.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

1. We strictly divided the network area with logical separation between the internet information system and the internal system, and established the information security in-depth defense system through various technical measures; we regularly carried out system penetration testing and vulnerability scanning to guard against potential threats in time; we organized attack and defense drills to improve the practical security protection experience and skills of staff, and introduced third-party security services to assist to improve safety protection capability.
2. We established the business continuity management system to identify important business and important information system, and clarify business and system operation interruption recovery targets, and made business continuity plan and contingency plans; we continuously promoted the construction of business continuity resources, and equipped with capabilities for dealing with site-level and city-level disasters through high availability technology and the construction of disaster preparedness center.
3. We strengthened the outsourcing management, ensured data security through desensitization and other technical measures, formulated outsourcing contingency plans, and carried out outsourcing invalid drills and risk assessment of important outsourcers to improve outsourcing emergency response capabilities; we improved the percentage of labor outsourcing mode to reduce direct reliance on outsourcers; we signed outsourcing service level agreement, introduced third-party testing institutions to help to conduct project testing, and specified requirements for project deliverables to control project quality.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

### 9 SEGMENT REPORTING

The following segment operating results are presented by business segment. The Bank's main businesses include corporate banking, retail banking, financial market business, unallocated items and others. The following table sets forth a summary of the operating results of each business segment of the Bank for the periods indicated.

Unit: RMB'000

Item	2021		2020	
	Segment profit before income tax	Ratio %	Segment profit before income tax	Ratio %
Corporate banking	303,576	32.49	228,865	30.92
Retail banking	233,324	24.97	182,366	24.64
Financial markets	383,317	41.03	302,489	40.86
Others	14,089	1.51	26,530	3.58
<b>Total</b>	<b>934,306</b>	<b>100.00</b>	<b>740,250</b>	<b>100.00</b>

Unit: RMB'000

Item	2021		2020	
	Segment operating income	Ratio %	Segment operating income	Ratio %
Corporate banking	2,069,117	54.79	1,708,043	54.14
Retail banking	480,767	12.73	362,084	11.48
Financial markets	1,211,922	32.09	1,056,517	33.49
Others	14,513	0.39	28,076	0.89
<b>Total</b>	<b>3,776,319</b>	<b>100.00</b>	<b>3,154,720</b>	<b>100.00</b>

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 10 BUSINESS REVIEW

### Corporate Banking Business

Adhering to the management tenet of “basing on local conditions, serving small and medium-sized enterprises, paying attention to the people’s livelihood and caring for the citizens”, we actively participate in economic construction and social development, and provide our corporate customers with diversified financial products and services to support their business needs.

#### Corporate loans

As at the end of the Reporting Period, the balance of our corporate loans amounted to RMB60,873 million, representing an increase of 29.93% as compared to the beginning of the year. In particular, our loans to medium to large enterprises amounted to RMB20,683 million, accounting for 33.98% of our total corporate loans as of the same date, our loans to small and micro enterprises amounted to RMB40,047 million, accounting for 65.79% of our total corporate loans as of the same date, our other corporate loans amounted to RMB143 million, accounting for 0.23% of our total corporate loans as of the same date. The majority of our corporate loan customers are enterprises incorporated or otherwise having their primary operations in Sichuan Province, in particular Luzhou. Corporate loans have been the largest component of our loan portfolio.

#### Bill discounting

Bill discounting refers to the bank acceptance bills and commercial acceptance bills purchased by the Bank from our corporate customers at prices lower than the par value. We only buy bank acceptance bills and commercial acceptance bills from corporate customers which meet our credit requirements, which is a form of providing short-term financing for such customers.

We also operate rediscounting and interbank bill discounting businesses in our financial markets business segment. Based on the said businesses, we can resell discounted bills to the PBoC or other commercial banks, which will bring us extra current assets and additional revenue in interest spread.

As at the end of the Reporting Period, our discounted bills amounted to RMB3,612 million.

#### Corporate deposits

As at the end of the Reporting Period, the balance of our corporate customer deposits amounted to RMB41,445 million, accounting for 43.73% of the total deposit balance. We offer our corporate customers RMB time and demand deposits. The RMB time deposits we offered to corporate customers have maturities ranging from three months to five years. We also offer negotiated deposit products that have customized interest rates and maturities and other terms. Besides, we provide call deposit products, which have higher interest rates than demand deposits and reserve certain flexibility of demand deposits (customers may send a notice in advance to draw the deposits). Our corporate deposit customers primarily include government agencies such as financial, transportation and social security institutions, public institutions, state-owned enterprises and large private corporations.



# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Corporate products

For financing needs of corporate customers, we innovated many customized products to meet customers' different financing needs.

We have rolled out "Tian Tian Loan" featuring one-time credit extension, recycling and a favorable treatment of interest-free repayment in the first seven days during each extension, where customers can realize instant withdrawal and repayment within 24-hours through our short message services (SMS), so as to maximize the efficiency of capital use; "Shui Jin Loan", a credit product which takes the average amount of the total tax paid during the latest two years as its main basis of credit extension; "Fang Hao Loan", a housing secured loan product using the first full-process online mortgage registration in Luzhou City rolled out based on the mode of "Internet + Real Estate Registration"; "Piao Bao Tong", which is designed for discounting the electronic commercial acceptance bills issued by the core enterprises to their upstream and downstream enterprises; "Piao e Loan", with the value-added tax invoicing amount as the main basis of credit extension, as well as "Shui e Loan", a credit loan product that takes tax payment as the main basis of credit extension and is used to meet the short-term production and operation capital needs of micro and small enterprises and other products, to enable customers to enjoy efficient and convenient financing services by giving full play to the agile decision-making advantage of the local legal-person institution.

## Corporate banking customer base

As at the end of the Reporting Period, we had a total of 31,235 corporate banking customers, representing an increase of 9,850 or 46.06% year-on-year. The rapid growth of our corporate banking business is underpinned by our strong customer base. By studying the specific financial needs of corporate banking customers, we have launched a broad range of products and services with specific features targeting selected groups of customers, and meanwhile, we have also established a special customer relationship management system, which allows us to closely track our customers' and their partners' business transactions with our Bank, enabling us to offer customized financial services to them.

## Financial services for micro and small enterprises

We have earnestly implemented the requirements of the Central Committee of the Communist Party of China and the State Council on coordinating the prevention and control of the COVID-19 epidemic and economic and social development, and have done a good job in the stability on the six fronts (namely, employment, financial sector, foreign trade, foreign and domestic investments, and market expectations) and security in the six areas (namely, employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments); we have effectively improved the quality and efficiency of financial services for micro and small enterprises by increasing efforts on the use of policies and instruments and strengthening the multiple cooperation among the banks, government, guarantors and enterprises from abroad and by strengthening the deployment of technology, building teams, innovating products, streamlining procedures, reducing fees and profits, optimizing services and deepening the assessment at home. Meanwhile, in order to better meet the financing requirements of micro and small enterprises, we have constructed the Huirongtong Small Micro Loan Center, an institution specialized in serving small and micro enterprises. As at the end of the Reporting Period, our loan balance to micro and small enterprises amounted to RMB46,360 million. The number of micro and small customers was 8,428. The balance of our inclusive finance loans to micro and small enterprises amounted to RMB8,895 million, where the number of micro and small customers was 8,109, with a weighted average loan interest rate of 6.52%.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Retail Banking Business

We provide our retail customers with a wide range of financial products and services, including deposits, loans, card services, wealth management as well as collection and remit tax and other intermediary businesses. We have a broad retail customer base.

As of December 31, 2021, we had 1,154,000 retail banking customers, representing an increase of 206,600 or 21.81% as compared to the end of 2020, and with total retail deposits of RMB51,781 million and total loans of RMB10,167 million.

We classify our retail customers into basic customers (with financial assets balance of less than RMB500,000), value customers (with financial assets balance of RMB500,000 (inclusive) to RMB1,000,000), high-end customers (with financial assets balance of RMB1,000,000 (inclusive) to RMB3,000,000), and high-net-worth customers (with financial assets balance exceeding RMB3,000,000). As of December 31, 2021, we had 6,290 high-end customers, representing an increase of 1,701 or 37.07% as compared to 2020, and 1,198 high-net-worth customers, representing an increase of 472 or 65.01% as compared to 2020.

### Retail deposits

The balance of retail deposits was RMB51,781 million, representing an increase of RMB10,000 million or 23.94% as compared to 2020. Of which, the large certificates of deposit business increased RMB708 million as compared to 2020.

### Retail loans

We provide our retail customers with personal business loans, personal consumption loans as well as personal residential and commercial mortgage loans. As of December 31, 2021, the total retail loans were RMB10,167 million, representing a net increase of RMB2,443 million or 31.63% as compared to the previous year.

### Bank cards

As of December 31, 2021, the number of historical accumulated cards issued to retail banking customers was 1,329,500 and the stock of cards was 1,131,700, representing an increase of 167,700 or 17.40% as compared to 2020.

### Wealth management

We provide our customers with Jin Gui Hua series wealth management products based on their risk and return appetites. Our wealth management funds are mainly invested in assets such as debt securities and money market instruments.

In 2021, the total amount of the wealth management products sold by us was RMB13,366 million. As of December 31, 2021, we had 31,433 customers for our wealth management products, of which 31,360 are retail customers and 73 are institution customers, with a balance on current products of RMB10,041 million and the performance comparison benchmark of wealth management products ranging from 4.0% to 5.1%.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Precious metal services

We provide our retail customers with precious metal products and services. We commenced sales agency service for precious metal from October 2018. As of December 31, 2021, our agency sales of precious metal amounted to RMB1,484,200, representing an increase of RMB292,300 or 24.52% as compared to the end of 2020.

## Financial Market Business

In 2021, in the face of complex changes in the macro environment, market environment and regulatory environment, we fully analysed the macroeconomic and financial regulatory situation and implemented a series of regulatory requirements to prevent and control financial risks. As a result, all types of financial market business maintained a sound development.

Our financial market business mainly consists of money market transactions business and investment business.

### Money market transactions business

Our money market transactions include: interbank deposits, interbank lending, bond repurchase, bill rediscount, and issuance of interbank certificates of deposit. During the Reporting Period, we actively participated in money market transactions and the total volume of money market transactions increased to exceed the RMB1,000 billion mark for the first time. We focused on the management and maintenance of interbank clients, maintained credit sustainability with them, and strived to increase interbank client stickiness while maintaining the diversification and dispersion of our counterparties. In 2021, we successfully completed the issuance of special financial bonds of RMB2 billion for small and micro enterprise loans.

#### 1. *Interbank deposits*

At the end of the Reporting Period, the balance of deposits from banks and other financial institutions was RMB611 million, representing a year-on-year decrease of RMB369 million or 37.69%, of which the balance of time deposits from banks was RMB440 million, representing a year-on-year decrease of 49.13%, and the balances of demand deposits from banks and settlement accounts were RMB171 million, representing a year-on-year increase of 48.17%. The balance of deposits with other banks was RMB973 million, representing a year-on-year decrease of RMB125 million or 11.34%, of which the balance of time deposits with other banks was RMB702 million, representing a year-on-year increase of 134.00%. The balances of demand deposits with other banks and settlement accounts were RMB271 million, representing a year-on-year decrease of 65.95%. The large change in interbank deposits was mainly because the year-on-year base of interbank deposit of the Bank is small, while the changeable scope is larger in respect of adjustment according to the business demand.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## 2. *Interbank lending*

At the end of the Reporting Period, the balance of our interbank placement was RMB3,315 million, representing a year-on-year decrease of RMB475 million or 12.53%; the balance of interbank lending was RMB12 million, representing a year-on-year decrease of RMB201 million or 94.30%. The main reasons were: first, we received interbank liabilities mainly through the issuance of interbank certificates of deposit, reducing the interbank placement; second, the interbank lending base was small at the same period, resulting in a significant change.

## 3. *Bond repurchase*

At the end of the Reporting Period, the balance of our positive buy-back was RMB1,300 million, representing a year-on-year increase of RMB1,300 million, mainly because we received certain short-term capitals through the positive buy-back at the end of the Reporting Period. The balance of counter buy-back was RMB6,478 million, representing a year-on-year increase of RMB2,815 million or 76.83%, mainly based on the needs of business structure adjustment, which led to a corresponding increase in business financing of counter buy-back.

## 4. *Bill rediscount*

At the end of the Reporting Period, we held RMB1,380 million of rediscounted bills, representing a year-on-year decrease of RMB83 million or 5.67%, mainly due to the general small size of rediscounted bills, while we decreased certain rediscounted bills according to the business needs this year.

## 5. *Issuance of interbank certificates of deposit*

At the end of the Reporting Period, the balance of our interbank certificates of deposit was RMB15,533 million, representing a year-on-year increase of RMB1,498 million or 10.67%, mainly because we received certain long-term liabilities through the issuance of interbank certificates of deposit, resulting in an increase in the balance of interbank certificates of deposit as compared to the end of the year.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Investment business

### 1. *Bond investment*

In 2021, the COVID-19 recurrences seriously affected the global economic recovery process. As supply chain shocks and over-issuance of the money by major economies triggered worldwide inflation, the Federal Reserve started tapering, the Bank of England raised interest rates, and a number of emerging markets started to hike interest rates due to inflation and exchange rate pressure. In the first quarter, China's exports performed well, the growth rate of consumption stabilized, and the domestic economy also accelerated recovery from the pandemic. Bond yields hit new highs for the year during this period as markets were concerned about tightening monetary policy. After the rapid economic recovery in the first quarter as compared to the same period of preceding year, the government was determined to adjust the structure, prevent risks and solve some deep-seated problems of the Chinese economy during the time window when "there is little pressure on stabilizing growth". From the second quarter onwards, local governments controlled the debt growth, and domestic infrastructure progressed slower than expected. Along with the rollout of "three red lines" and other strict control policies for the real estate sector, the two main demands were suppressed, resulting in the weakening financing demand as a whole. While imports and exports maintained high growth, the domestic economy came under new downward pressure. The market liquidity condition was generally relatively loose during the period, and some allocated funds began to flow to the bond market, with bond yields slowly moving down to the level of the beginning of the year again at the end of the second quarter. In the third quarter, the slowdown of China's economic growth became more and more obvious. The central bank of China comprehensively lowered the reserve requirement ratio in July to reduce the financing cost of the real economy, and the bond yield demonstrated downward fluctuation, but the increased inflation pressure on industrial products limited the downward range of bond yield. In the fourth quarter, real estate risks were gradually exposed and the growth rate of real estate investment fell back. This, coupled with weakening domestic demand, exerted greater downward pressure on economy. As the central bank of China further loosened the monetary policy and cut the reserve requirement ratio again in December to stabilize the economy, the bond yield slipped back to the yearly low.

As at the end of the Reporting Period, we optimized and adjusted the total amount and structure of bond investment according to the bond market conditions and our needs of asset allocation. At the end of the Reporting Period, our bond investment amounted to RMB29,977 million, representing a year-on-year increase of RMB6,138 million or 25.75%, among which, the balance of treasury bonds was RMB4,141 million, representing a year-on-year increase of RMB2,242 million or 118.06%; the balance of policy financial bonds was RMB4,781 million, representing a year-on-year increase of RMB769 million or 19.17%; and the balance of debt securities issued by local governments was RMB978 million, representing a year-on-year decrease of RMB125 million or 11.33%; the balance of credit bonds was RMB17,635 million, representing a year-on-year increase of RMB2,118 million or 13.65%; the balance of debt securities issued by commercial banks was RMB2,442 million, representing a year-on-year increase of RMB1,134 million or 86.70%.

### 2. *SPV investment*

During the Reporting Period, we actively reduced SPV investment. At the end of the Reporting Period, our SPV investment was RMB10,084 million, including RMB1,048 million for public offering monetary funds, RMB5,615 million for trust plans, RMB3,421 million for asset management plans. Our SPV investment decreased by RMB9,038 million or 47.26% as compared to the beginning of the year, mainly due to the decreased investment in the bank wealth management products, trust plans and asset management plans.

# Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

## Financial Consumer Rights Protection

During the Reporting Period, we closely followed the new developments in regulation in our work on consumer rights protection, reinforced the basic work, continuously strengthened the high-level design and guidance, constantly improved the overall level of our work on consumer rights protection by focusing on the improvement of institutions and mechanisms as well as quality service.

1. Strengthening the guidance on strategic planning. We made a general plan on the consumer rights protection which incorporates the consumer rights protection into corporate governance, construction of corporate culture and business development strategies. The Board of Directors of the Bank assumes the ultimate responsibility for consumer rights protection work by means of making general planning and providing guidance on consumer rights protection work as well as supervising the strategic goals, policies and measures of consumer rights protection work, so as to effectively facilitate our work on financial consumer rights protection.
2. Optimizing the construction of organizational structure. We set up an organizational structure with the Internal control and compliance department as the lead management department mainly comprising Operation management department, Retail banking customers department, IT department, Administration department, Inclusive finance department, Assets and liabilities management department, Electronic banking department of Chengdu Branch and other functional departments of consumer rights protection to collectively promote the work on consumer rights protection.
3. Improving the consumer rights protection system. In 2021, we amended and issued eight systems including *Basic System of Consumer Rights Protection*, *the Administrative Measures on Personal Financial Information Protection*, *the Administrative Measures on Handling Consumption Complaints*, *Basic System of Outsourcing Management*, *the Administrative Measures on Performance Appraisal of Institutions*, *Remuneration Management Measures*, *Rules for the Implementation of Information Submission Work* and *Rules for the Implementation of Internal Audit on Consumer Rights Protection*, so as to continuously improve the consumer rights protection system covering personal financial information protection, dispute settlement, information disclosure, quality services, marketing and publicity as well as assessment and evaluation, etc.
4. Improving the management and control mechanism of consumer rights protection. Our new products and services are subject to inspection of the Internal control and compliance department before the launch to ensure that these products and services comply with the requirements of consumer rights protection work. The publicity and marketing of products and services released to the public are required to be reviewed level by level to ensure that the marketing and publicity follow the requirements. As for the problems found in the after-sales management and exposed upon the consumer complaints, besides immediate rectification, we are also subject to make origin-tracing efforts and fix the aspects with problems by means of establishing the traceability and rectification mechanism.

## Management Discussion and Analysis

(The financial data of the Bank expressed in RMB unless otherwise stated)

5. Completing the evaluation system of consumer rights protection. The Basic System for Protecting Consumer Rights and Interests of the Bank further standardizes the content, standard and process of the evaluation of consumer rights protection work, the evaluation results of which are applied to the remuneration, performance and other aspects. Those behaviors in breach of the relevant requirements on consumer rights protection shall be subject to severe punishment in accordance with regulations.
6. Popularizing public education on consumer rights protection. The Bank proactively performs social responsibility and popularizes public education by fully combining the financial knowledge promotion and education with the improvement of brand image to identify the topic, content, form and targeted people of this publicity, which primarily covers college students, migrant workers, the middle-aged and senior people, rural residents and other groups, and effectively carries out over 20 different kinds of promotional and educational campaigns to enrich the financial knowledge of the masses effectively and reinforce the awareness of risk prevention.

# Changes in Share Capital and Information on Shareholders

## I. CHANGES IN SHARE CAPITAL

According to the 2020 equity distribution plan of the Bank, based on the total share capital of 2,264,793,385 shares as at the record date of September 20, 2021, the Bank issued 2 new Shares for every 10 Shares to all shareholders registered on the equity registration date by way of conversion of capital reserve on October 11, 2021 with 452,958,677 new Shares in aggregate converted into share capital.

## II. STATEMENT OF SHAREHOLDING STRUCTURE

Unit: Share, %

	December 31, 2020		Increase (decrease) during the Reporting Period	December 31, 2021	
	Quantity	Percentage		Quantity	Percentage
Total share capital	2,264,793,385	100.00%	452,958,677	<b>2,717,752,062</b>	<b>100.00%</b>
Domestic Shares held by legal person	1,593,116,644	70.34%	321,384,496	<b>1,914,501,140</b>	<b>70.44%</b>
Domestic Shares held by natural person	44,076,741	1.95%	6,054,181	<b>50,130,922</b>	<b>1.85%</b>
H Shares	627,600,000	27.71%	125,520,000	<b>753,120,000</b>	<b>27.71%</b>

## III. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, no listed securities of the Bank have been purchased, sold or redeemed by the Bank.



## Changes in Share Capital and Information on Shareholders

### IV. DETAILS OF SHAREHOLDERS

As at the end of the Reporting Period, the total number of Shares of the Bank was 2,717,752,062 Shares, consisting of 1,964,632,062 Domestic Shares and 753,120,000 H Shares.

#### (I) Shareholding of Top 10 Holders of Domestic Shares of the Bank

*Unit: Share*

No.	Name of Shareholders	Class of shares	Number of Shares held at the end of the period	Shareholding percentage	Number of Shares pledged	Number of Share frozen
1	Luzhou Laojiao Group Co., Ltd.	Domestic Shares	390,528,000	14.37%	-	-
2	Sichuan Jiale Enterprise Group Co., Ltd.	Domestic Shares	325,440,000	11.97%	-	-
3	Luzhou Xinfu Mining Industry Group Co., Ltd.	Domestic Shares	325,440,000	11.97%	-	325,440,000
4	Luzhou Municipal Finance Bureau	Domestic Shares	193,853,760	7.13%	-	-
5	Luzhou State-owned Assets Operation Co., Ltd.	Domestic Shares	173,568,000	6.39%	-	-
6	Luzhou Xinglu Jutai Real Estate Co., Ltd.	Domestic Shares	110,059,035	4.05%	-	-
7	Chengdu Modern Agricultural Development Investment Co., Ltd.	Domestic Shares	97,252,320	3.58%	-	-
8	Luzhou Industrial Investment Group Co., Ltd.	Domestic Shares	88,154,722	3.24%	-	-
9	Luzhou Xinglu Investment Group Co., Ltd.	Domestic Shares	48,659,355	1.79%	-	-
10	Luzhou Laojiao Co., Ltd.	Domestic Shares	43,392,000	1.60%	-	-

#### (II) Interest and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

To the knowledge of the Directors or chief executive of the Bank, as at December 31, 2021, interests and short positions of the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have in the Shares and underlying Shares of the Bank which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept pursuant to Section 336 of the SFO, were as follows:

## Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of Interest	Class of Shares	Long position/ short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Laojiao Group Co., Ltd. (瀘州老窖集團有限責任公司) <sup>(1)</sup>	Beneficial owner	Domestic Shares	Long Position	390,528,000	-		
	Interest in controlled corporation	Domestic Shares	Long Position	43,392,000	-		
				433,920,000		15.97%	22.09%
Sichuan Jiale Enterprise Group Co., Ltd. (四川省佳樂企業集團有限公司) <sup>(2)</sup>	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
JIANG Xiaoying (姜曉英) <sup>(2)</sup>	Interest in spouse	Domestic Shares	Long Position	334,118,400	-	12.29%	17.01%
Luzhou Xinfu Mining Industry Group Co., Ltd. (瀘州鑫福礦業集團有限公司)	Beneficial owner	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Sichuan Xinfu Industrial Group Co., Ltd. (四川鑫福產業集團有限公司) <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
LAI Dafu (賴大福) <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
GE Xiuqiong (葛修瓊) <sup>(3)</sup>	Interest in controlled corporation	Domestic Shares	Long Position	325,440,000	-	11.97%	16.56%
Luzhou Industrial Investment Group Co., Ltd. (瀘州產業發展投資集團有限公司) <sup>(4)</sup>	Beneficial owner	Domestic Shares	Long Position	88,154,722	-		
	Interest in controlled corporation	Domestic Shares	Long Position	173,809,911	-		
				261,964,633		9.64%	13.33%

## Changes in Share Capital and Information on Shareholders

Name of Shareholder	Nature of Interest	Class of Shares	Long position/ short position	Number of Shares directly or indirectly held (share)	Number of Shares owned with derivative interest (share)	Approximate % of issued Shares in the Bank	Approximate % of the relevant class of Shares in the Bank
Luzhou Xinglu Investment Group Co., Ltd. (瀘州市興瀘投資集團有限公司) <sup>(9)</sup>	Beneficial owner	Domestic Shares	Long Position	48,659,355	-		
	Interest in controlled corporation	Domestic Shares	Long Position	184,954,062	-		
				233,613,417		8.60%	11.89%
Luzhou Municipal Finance Bureau (瀘州市財政局)	Beneficial owner	Domestic Shares	Long Position	193,853,760	-	7.13%	9.87%
Luzhou State-owned Assets Operation Co., Ltd. (瀘州國有資產經營有限公司)	Beneficial owner	Domestic Shares	Long Position	173,568,000	-	6.39%	8.83%
OTX ADVISORY HOLDINGS, INC. <sup>(6)</sup>	Beneficial owner	H Shares	Long Position	135,672,000	-	4.99%	18.01%
LUO Zhipeng (羅志鵬) <sup>(6)</sup>	Interest in controlled corporation	H Shares	Long Position	135,672,000	-	4.99%	18.01%
Wudaokou Capital Limited (五道口資本有限公司) <sup>(7)</sup>	Beneficial owner	H Shares	Long Position	26,400	-	0.001%	0.004%
ZHOU Min (周敏) <sup>(7)</sup>	Interest in controlled corporation	H Shares	Long Position	134,413,200	-	4.95%	17.85%
JNR SPC <sup>(8)</sup>	Beneficial owner	H Shares	Long Position	130,980,000	-	4.91%	17.73%
JNR Capital <sup>(8)</sup>	Beneficial owner	H Shares	Long Position	130,980,000	-	4.91%	17.73%
ZHENG Zhicheng (鄭志誠) <sup>(8)</sup>	Interest in controlled corporation	H Shares	Long Position	130,980,000	-	4.91%	17.73%
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. (瀘州市基礎建設投資有限公司) <sup>(9)</sup>	Beneficial owner	Domestic Shares	Long Position	18,007,680	-		
	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	-		
				128,066,715		4.71%	6.52%
Luzhou Xinglu Jutai Real Estate Co., Ltd. (瀘州興瀘居泰房地產有限公司) <sup>(9)</sup>	Beneficial owner	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
Luzhou Chengnan Construction Investment Co., Ltd. (瀘州市城南建設投資有限公司) <sup>(9)</sup>	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
China Development Fund Co., Ltd. (國開發展基金有限公司) <sup>(9)</sup>	Interest in controlled corporation	Domestic Shares	Long Position	110,059,035	-	4.05%	5.60%
Luzhou High-tech Investment Group Co., Ltd. (瀘州市高新投資集團有限公司)	Beneficial owner	H Shares	Long Position	120,000,000	-	4.42%	15.93%
Luzhou Liquor Investment Co., Ltd. (瀘州酒業投資有限公司)	Beneficial owner	H Shares	Long Position	72,000,000	-	2.65%	9.56%

## Changes in Share Capital and Information on Shareholders

### Notes:

- (1) Luzhou Laojiao Group Co., Ltd. is wholly owned by Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會). Luzhou Laojiao Group Co., Ltd. directly held 390,528,000 Domestic Shares and indirectly held 43,392,000 Domestic Shares through its controlled company Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司). By virtue of the SFO, Luzhou Laojiao Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Laojiao Co., Ltd..
- (2) Mr. XIONG Guoming (熊國銘) (i) indirectly held 8,678,400 Domestic Shares through Sichuan Luzhou Jiale Real Estate Co., Ltd. (四川省瀘州市佳樂房地產有限責任公司). Luzhou Yijia Real Estate Development Co., Ltd. (瀘州益佳房地產開發有限公司) had approximately 92.68% equity interest in Sichuan Luzhou Jiale Real Estate Co., Ltd., Sichuan Jiale Yijia Industrial Co., Ltd. (四川佳樂益佳實業有限公司) had approximately 70.44% equity interest in Luzhou Yijia Real Estate Development Co., Ltd., and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Yijia Industrial Co., Ltd.; and (ii) held 325,440,000 Domestic Shares through Sichuan Jiale Enterprise Group Limited (四川省佳樂企業集團有限公司) and Mr. XIONG Guoming had 80% equity interest in Sichuan Jiale Enterprise Group Limited (四川省佳樂企業集團有限公司). By virtue of the SFO, Mr. XIONG Guoming is deemed to be interested in the Domestic Shares held by Sichuan Luzhou Jiale Real Estate Co., Ltd. and Sichuan Jiale Yijia Industrial Co., Ltd.. Ms. JIANG Xiaoying (姜曉英) is the spouse of Mr. XIONG Guoming and is deemed to be interested in the Domestic Shares held by Mr. XIONG Guoming under the SFO.
- (3) Mr. LAI Dafu and Ms. GE Xiuqiong held 60% and 40% equity interest in Sichuan Xinfu Industrial Group Co., Ltd., respectively. Sichuan Xinfu Industrial Group Co., Ltd. held 92% equity interest in Luzhou Xinfu Mining Industry Group Co., Ltd. By virtue of the SFO, each of Mr. LAI Dafu, Ms. GE Xiuqiong and Sichuan Xinfu Industrial Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinfu Mining Industry Group Co., Ltd.
- (4) Luzhou Industrial Investment Group Co., Ltd. directly held 88,154,722 Domestic Shares and indirectly held 173,568,000 Domestic Shares through its wholly-owned subsidiary, Luzhou State-owned Assets Operation Co., Ltd. and indirectly held 241,911 Domestic Shares through its wholly-owned subsidiary, Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司). By virtue of the SFO, Luzhou Industrial Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou State-owned Assets Operation Co., Ltd. and Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司).
- (5) Luzhou Xinglu Investment Group Co., Ltd. directly held 48,659,355 Domestic Shares and (i) indirectly held 110,059,035 Domestic Shares through its controlled corporation Luzhou Xinglu Jutai Real Estate Co., Ltd., in which Luzhou Chengnan Construction Investment Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. had 45.99% and 51.86% equity interest, respectively. Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. had approximately 50.82% equity interest in Luzhou Chengnan Construction Investment Co., Ltd., and Luzhou Xinglu Investment Group Co., Ltd. had approximately 55.11% equity interest in Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.; (ii) indirectly held 43,392,000 Domestic Shares through its controlled corporation Luzhou Laojiao Co., Ltd., in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 24.99% equity interest. Luzhou Laojiao Group Co., Ltd. and Luzhou Xinglu Investment Group Co., Ltd. entered into an agreement on action in concert valid from December 31, 2015 to June 1, 2021 in respect of their respective equity in Luzhou Laojiao Co., Ltd.; (iii) indirectly held 13,495,346 Domestic Shares through its controlled corporation Luzhou Xinglu Financing Guarantee Group Co., Ltd. (瀘州市興瀘融資擔保集團有限公司), in which Luzhou Xinglu Investment Group Co., Ltd. had approximately 37.26% equity interest; and (iv) indirectly held 18,007,680 Domestic Shares through its controlled corporation Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. By virtue of the SFO, Luzhou Xinglu Investment Group Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd., Luzhou Laojiao Co., Ltd., Luzhou Xinglu Financing Guarantee Group Co., Ltd. and Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.

## Changes in Share Capital and Information on Shareholders

- (6) OTX ADVISORY HOLDINGS, INC. is wholly owned by LUO Zhipeng. By virtue of the SFO, LUO Zhipeng is deemed to be interested in the H Shares held by OTX ADVISORY HOLDINGS, INC.
- (7) Wudaokou Capital Limited is wholly owned by ZHOU Min (周敏). By virtue of the SFO, ZHOU Min (周敏) is deemed to be interested in the H Shares held by Wudaokou Capital Limited.
- (8) JNR SPC is wholly owned by JNR Capital, which is held as to approximately 66.67% equity interest by ZHENG Zhicheng (鄭志誠). By virtue of the SFO, both JNR Capital and ZHENG Zhicheng (鄭志誠) are deemed to be interested in the H Shares held by JNR SPC.
- (9) Luzhou Xinglu Jutai Real Estate Co., Ltd. is held as to 51.86% equity interest by Luzhou Xinglu Investment Group Co., Ltd. and as to 45.99% equity interest by Luzhou Chengnan Construction Investment Co., Ltd., in which Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. and China Development Fund Co., Ltd. held approximately 50.82% and 41.18% equity interest, respectively. By virtue of the SFO, each of Luzhou Xinglu Investment Group Co., Ltd., Luzhou Fundamental Infrastructure Construction Investment Co., Ltd., China Development Fund Co., Ltd. and Luzhou Chengnan Construction Investment Co., Ltd. is deemed to be interested in the Domestic Shares held by Luzhou Xinglu Jutai Real Estate Co., Ltd..

Save as disclosed above, to the knowledge of the Directors, the Bank is not aware of any other person (other than a Director, Supervisor and chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares of the Bank as at December 31, 2021 which are required to be recorded in the register pursuant to section 336 of the SFO.

### (III) Substantial Shareholders of the Bank

For information about the substantial Shareholders<sup>(1)</sup> of the Bank, please refer to the Related party relationships and Related party transactions under Note 39 to the Financial Statements of this annual report.

Note:

- (1) According to the Interim Measures for the Equity Management of Commercial Banks of CBIRC (CBRC Order 2018 No. 1), substantial shareholders of a commercial bank refer to shareholders who hold or control 5% or above shares or voting right of the commercial bank, or who hold less than 5% of total capital or total shares of the commercial bank but have significant impacts on the operation and management of the commercial bank. The significant impacts mentioned above include but are not limited to dispatching directors, supervisors or senior executives to a commercial bank.

## Changes in Share Capital and Information on Shareholders

### V. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE BANK

As of December 31, 2021, based on the information available to the Bank and as far as our Directors are aware, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register of interests kept pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were set out as follows:

Interests in the Bank held by our Directors, Supervisors and chief executives							
Name	Position	Nature of Interest	Class of Shares	Long position/ short position	Number of Shares directly or indirectly held (share)	Approximate % of interest in our Bank	Approximate % of the relevant class of Shares of our Bank
XIONG Guoming (熊國銘)	Non-executive Director	Interest in controlled corporations	Domestic Shares	Long position	334,118,400	12.29%	17.01%
LIU Shirong (劉仕榮)	Executive Director	Beneficial owner	Domestic Shares	Long position	13,018	0.0005%	0.0007%
CHEN Yong (陳勇) <sup>(1)</sup>	Supervisor	Interest of spouse	Domestic Shares	Long position	19,527	0.0007%	0.001%

Note:

- (1) The Domestic Shares are held by Ms. LAN Ying (蘭英), the spouse of Mr. CHEN Yong. Mr. CHEN Yong is deemed to be interested in the Domestic Shares held by Ms. LAN Ying under the SFO.

Save as disclosed above, as at December 31, 2021, none of our Directors, Supervisors and chief executives had any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (as defined in Part XV of the SFO) which were required to be recorded in the register kept pursuant to section 352 of the SFO or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

# Directors, Supervisors, Senior Management and Employees

## I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Directors

Name	Gender	Age	Time of joining our Bank	Position	Time of taking the position as Director
YOU Jiang (游江)	Male	48	July 2014	Executive Director and chairman of the Board of Directors	August 28, 2014
LIU Shirong (劉仕榮)	Male	55	October 1997	Executive Director, president	February 22, 2010
PAN Lina (潘麗娜)	Female	38	May 2019	Non-executive Director	December 31, 2019
XIONG Guoming (熊國銘)	Male	59	February 2010	Non-executive Director	February 22, 2010
LIU Qi (劉奇)	Male	37	November 2017	Non-executive Director	November 29, 2017
DAI Zhiwei (代志偉)	Male	53	December 2015	Non-executive Director	December 10, 2015
GU Mingan (辜明安)	Male	56	March 2016	Independent non-executive Director	March 18, 2016
HUANG Yongqing (黃永慶)	Male	60	November 2017	Independent non-executive Director	November 7, 2017
YE Changqing (葉長青)	Male	51	May 2018	Independent non-executive Director	December 17, 2018
TANG Baoqi (唐保祺)	Male	62	May 2018	Independent non-executive Director	December 17, 2018
ZHONG Jin (鍾錦)	Male	60	May 2020	Independent non-executive Director	November 30, 2020

### (II) Supervisors

Name	Gender	Age	Time of joining our Bank	Position	Time of taking the position as Supervisor
DUAN Xuebin (段學彬)	Male	56	January 2016	External Supervisor and chairman of the nomination committee under the Board of Supervisors	January 26, 2016
Guo Bing (郭兵)	Male	53	May 2019	External Supervisor and the chairman of the audit and supervision committee under the Board of Supervisors	May 28, 2019
LIU Yongli (劉永麗)	Female	51	July 2002	Employee representative Supervisor and independent approver of the credit approval department	January 26, 2016
CHEN Yong (陳勇)	Male	49	July 2002	Employee representative Supervisor, the general manager of the administration department	January 26, 2016

## Directors, Supervisors, Senior Management and Employees

### (III) Senior Management

Name	Gender	Age	Time of joining our Bank	Position	Time of taking the position
LIU Shirong (劉仕榮)	Male	55	October 1997	Executive Director, president	The term shall take effect from the date when CBIRC Sichuan Office approves his president qualification
YUAN Shihong (袁世泓)	Female	51	November 2015	Vice president	The term shall take effect from the date when CBIRC Sichuan Office approves her vice president qualification
XUE Xiaoqin (薛曉芹), whose former name was XUE Defang (薛德芳)	Female	53	October 1997	Vice president	May 27, 2016
WU Ji (吳極)	Male	48	April 2016	Vice president	August 10, 2020
YANG Bing (楊冰), whose former name was YANG Bin (楊斌)	Male	46	April 2016	Vice president	April 8, 2016
AI Yong (艾勇)	Male	49	September 1997	Assistant to president	December 28, 2012
HU Jia (胡嘉)	Male	42	November 2015	Assistant to president and president of the key customers business department	August 23, 2018 (assistant to president); January 10, 2020 (president of the key customers business department)



# Directors, Supervisors, Senior Management and Employees

## II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Changes in Directors

1. Ms. LIU Anyuan resigned as a non-executive Director of the Bank, a member of the audit committee of the Board and consumer rights protection committee of the Board on May 13, 2021 due to work transfer.
2. Mr. XU Xianzhong resigned as an executive Director of the Bank and a member of the consumer rights protection committee of the Board on June 7, 2021 in order to devote more time and dedication to other personal affairs.

For details of the above changes, please refer to the relevant announcements published by the Bank.

### 2. Changes in Supervisors

Ms. YUAN Shihong (Ms. Yuan) no longer served as the Supervisor, Chairwoman of the Board of Supervisors, a member of the nomination committee under the Board of Supervisors, a member of the audit and supervision committee under the Board of Supervisors of the Bank due to internal work adjustments on January 10, 2022. Before the new chairperson of the Board of Supervisor of the Bank is formally appointed, Supervisor CHEN Yong will perform the duties.

### 3. Changes in Senior Management

- 1 On June 7, 2021, Mr. XU Xianzhong resigned as the president of the Bank in order to devote more time and dedication to other personal affairs.
- 2 On September 30, 2021, the Board of the Bank approved the appointment of Mr. LIU Shirong as the president of the Bank (his term shall take effect from the date when CBIRC Sichuan Office approves his president qualification).
- 3 On November 5, 2021, Ms. XIA Yilun resigned as a vice president of the Bank due to age, personal physical condition and internal change of work positions; Mr. TONG Qiang resigned as a vice president of the Bank due to personal career development.
- 4 On January 10, 2022, the Board of the Bank appointed Ms. YUAN Shihong as the vice president of the Bank (her term shall take effect from the date when CBIRC Sichuan Office approves her vice president qualification).
- 5 On January 25, 2022, Mr. LIU Shirong resigned as a secretary of the Board of the Bank due to his wish to focus more on the work of the president in the future.
- 6 On February 8, 2022, Mr. CHENG Anhua resigned as the vice president and chief information officer of the Bank due to his personal health.

### 4. Changes in Information of Directors, Supervisors and President

On September 30, 2021, executive Director Mr. LIU Shirong was appointed as the president of the Bank.

On January 25, 2022, executive Director Mr. LIU Shirong resigned as a secretary of the Board and a joint company secretary of the Bank due to his wish to focus more on the work of the president in the future.

# Directors, Supervisors, Senior Management and Employees

## III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1. Directors

#### **Executive Director YOU Jiang (游江)**

**Mr. YOU Jiang (游江)**, aged 48, has been a Director since August 2014 and the chairman of the Board of Directors since December 2014. Mr. You is also a member of each of the development and strategy committee, the nomination and remuneration committee and the risk management committee of our Bank.

Prior to joining our Bank, Mr. You served as the division director (處長) of the First Division of Supervision and Regulation of Small and Medium Rural Financial Institutions of CBRC Sichuan Office (四川銀監局農村中小金融機構監管一處處長) from September 2013 to June 2014. He worked as the director-general (局長) of CBRC Nanchong Branch (中國銀監會南充監管分局) from May 2011 to September 2013. Mr. You worked as a deputy director-general (副局長) of CBRC Ziyang Branch (中國銀監會資陽監管分局) from December 2007 to April 2009 and then its director-general (局長) from April 2009 to May 2011. Mr. You served as a deputy division director (副處長) of the Division of Supervision and Regulation of Cooperative Financial Institutions of CBRC Sichuan Office (四川銀監局合作金融機構監管處) from January 2007 to December 2007, during which period he also worked on secondment as a vice general manager of the risk management department of the Sichuan Provincial Branch of Industrial and Commercial Bank of China Limited (“ICBC”) (中國工商銀行股份有限公司四川省分行) and a vice president of the Chunxi sub-branch of ICBC (中國工商銀行股份有限公司春熙支行) from May 2007 to December 2007. Mr. You worked at CBRC Sichuan Office as a vice office director (辦公室副主任) from January 2005 to January 2007. He worked as a member of the planning group of CBRC Ya’an Branch (中國銀監會雅安監管分局) from November 2003 to February 2004 and then a deputy director-general (副局長) of the CBRC Ya’an Branch from February 2004 to January 2005. Mr. You worked at PBoC Ziyang Central sub-branch (中國人民銀行資陽市中心支行) as the assistant to president from July 2002 to November 2003. Prior to that, Mr. You worked at the secretarial division of the CPC committee office of PBoC Chengdu Branch (中國人民銀行成都分行) as a staff member from December 1998 to January 2000 and then the section chief (科長) from January 2000 to July 2002. He worked at PBoC Sichuan Branch (中國人民銀行四川省分行) as a cadre of the business department from July 1995 to July 1996 and a staff member of the secretarial division of the general office from July 1996 to December 1998.

Mr. You obtained a bachelor’s degree in economics, a master’s degree in economics and a doctoral degree in economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC, in July 1995, December 2002 and July 2010, respectively.

## Directors, Supervisors, Senior Management and Employees

### **Executive Director LIU Shirong (劉仕榮)**

**Mr. LIU Shirong (劉仕榮)**, aged 55, has been a Director since February 2010, and was appointed as the president of the Bank in September 2021 with the approval of the Board of Directors of the Bank (his term of office is effective from the date of approval of his qualification as the president by CBIRC Sichuan Office). Mr. Liu is also a member of each of the related party (connected) transactions control committee, the risk management committee and consumer rights protection committee of the Bank.

Mr. Liu joined our Bank in October 1997. Mr. Liu served as the Vice President of our Bank from May 2016 to September 2021 (in charge of the daily work of the whole Bank from September 2019 and acting as the President from June 2021) and Secretary of the Board of Directors from December 2012 to January 2022 and Joint Company Secretary of our Bank from December 2018 to January 2022. Prior to that, he served as the head of the office of the Board of Directors from March 2012 to October 2014, and acted as the responsible person of the accounting and finance department of our Bank from November 2011 to March 2012. Mr. Liu worked as the head of the administration office (行政辦公室主任) of our Bank from February 2008 to November 2011. He served as the office head (辦公室主任) of our Bank from October 2005 to February 2008. Mr. Liu worked as the head of the credit management department of our Bank from January 2005 to October 2005. He worked as the president of Binjiang sub-branch (濱江支行) of our Bank from November 2002 to January 2004 and the president of Jiangyangzhonglu sub-branch (江陽中路支行) of our Bank from January 2004 to January 2005. Mr. Liu served as an acting vice president of Tongda sub-branch (通達支行) of our Bank from October 1997 to February 1998 and then its vice president from February 1998 to November 2002. Prior to joining our Bank, Mr. Liu worked at Haikou City Bo'ai Urban Credit Cooperative (海口市博愛城市信用社) and served as a deputy office head (辦公室副主任) and the manager of the credit department from February 1993 to June 1993 and also as a vice head (副主任), the manager of its treasury department and the manager of the credit department from June 1993 to October 1997.

Mr. Liu graduated from Luzhou Finance and Trade School (瀘州財貿學校) in the PRC in July 1985, majoring in finance and accounting. He passed the self-taught higher education exams of accounting at junior college level (會計專業專科自學考試) and was approved for graduation by Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC, in June 1989. Mr. Liu graduated from the Correspondence Institute of the Central Communist Party School of the CPC (中共中央黨校函授學院) in the PRC in December 2001, majoring in economic management (through correspondence study).

Mr. Liu obtained the intermediate level certificate in financial economics conferred by Ministry of Personnel of the PRC (中華人民共和國人事部) (currently known as Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 2000. He was certified as a senior international finance manager jointly by China Association of Chief Financial Officers (中國總會計師協會), International Financial Management Association (國際財務管理協會), Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and Research Center of State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會研究中心) in February 2013.

## Directors, Supervisors, Senior Management and Employees

### **Non-executive Director PAN Lina (潘麗娜)**

**Ms. PAN Lina (潘麗娜)**, aged 38, has been a Director since December 2019. She is mainly responsible for providing strategic advice on the corporate developments and making recommendations on major operational and managerial decisions of our Bank. Ms. Pan is also the chairperson of the development and strategy committee and a member of the audit committee of our Bank.

Ms. Pan has been working at Luzhou Laojiao Group Co., Ltd. since November 2015. She served as a member of the party committee of Luzhou Laojiao Group Co., Ltd. since October 2021, the deputy CEO and CEO office director of Luzhou East Wing project promotion group of Luzhou Laojiao Group (瀘州老窖集團瀘州東翼項目推進組), head of “One Corridor, One Belt” working group of Luzhou Laojiao Group since August 2021, the Executive Director and general manager of Zizi Sichuan Food Co., Ltd. (滋滋川味食品有限公司), being the wholly-owned subsidiary of Luzhou Laojiao Group Co., Ltd., since April 2021, the CEO of Luzhou Laojiao Group’s food industry promotion project group (瀘州老窖集團食品產業推進項目組) from April 2020 to October 2021, and the CEO of the group party of Luzhou Laojiao Group’s COSCO strategic cooperation project group (瀘州老窖集團中遠戰略合作項目組) from January to April 2020, and served as assistant to president, director of the group office, general manager of the planning and publicity center, and member of the party committee of Luzhou Laojiao Group Co., Ltd. from November 2015 to December 2019. In addition, Ms. Pan worked at Luzhou Laojiao Industrial Investment Co., Ltd. (瀘州老窖實業投資有限公司) from January 2016 to May 2017. She used to serve as general manager, party branch secretary, and deputy secretary of the Hejiang County Party Committee. Prior to this, Ms. Pan worked at Luzhou Liquor Concentrated Development Zone Co., Ltd. (瀘州酒業集中發展區有限公司) from September 2010 to January 2016. Her last position was general manager and party branch secretary. Ms. Pan served as the deputy director of the party committee office and company office of Luzhou Laojiao Co., Ltd. from August 2009 to September 2010, and served as the secretary of the president of Guangzhou Textile Industry and Trade Enterprise Group, the secretary of the League branch and the officer of the Youth League Committee from July 2006 to August 2009.

Ms. Pan received a bachelor’s degree of arts from the Department of Chinese Language and Literature of Peking University in July 2006, a bachelor’s degree of economics from the China Economic Research Center (National Institute of Economic Development) of Peking University in July 2006, and in June 2017, she obtained a master’s degree in business administration from the School of Economics and Management of the University of Electronic Science and Technology of China. Ms. Pan was certified as Economist (Business Administration) by the Ministry of Human Resources and Social Security of Sichuan Province in November 2016.

## Directors, Supervisors, Senior Management and Employees

### **Non-executive Director XIONG Guoming (熊國銘)**

**Mr. XIONG Guoming (熊國銘)**, aged 59, has been a Director since February 2010. He is primarily responsible for providing strategic advice on corporate developments and making recommendations on major operational and managerial decisions of our Bank. Mr. Xiong is also the chairperson of the risk management committee and a member of each of the development and strategy committee and the nomination and remuneration committee of our Bank.

Mr. Xiong has been the chairman of the Board of Directors of Sichuan Jiale Enterprise Group Limited (四川省佳樂企業集團有限公司) and held positions at several subsidiaries of Sichuan Jiale Enterprise Group Limited since September 1998, including chairman of the Board of Directors of Sichuan Jiale Yijia Industry Co., Ltd.(四川佳樂益佳實業有限公司) since August 2018, a Director of Luzhou Jiayi Industrial Co., Ltd. (瀘州嘉希實業有限公司) since October 2017, the chairman of the Board of Directors of Luzhou Jiale Assets Management Co., Ltd. (瀘州市佳樂資產管理股份有限公司) since September 2017, the chairman of the Board of Directors of Hainan Wanjia Culture and Tourism Development Co., Ltd. (海南萬佳文旅發展有限公司) since May 2017, a Director of Luzhou Jiarun Industrial Development Co., Ltd. (瀘州佳潤實業發展有限公司) (formerly known as Luzhou Jiarun Real Estate Development Co., Ltd. (瀘州佳潤房地產開發有限公司)) since March 2014, the chairman of the Board of Directors of Luzhou Yijia Investment Co., Ltd. (瀘州益佳投資有限公司) since July 2012, the chairman of the Board of Directors and general manager of Luzhou Yijia Real Estate Development Co., Ltd. (瀘州益佳房地產開發有限公司) since January 2011, a Director of Chongqing Centennial Jiale Properties Co., Ltd. (重慶百年佳樂置業有限公司) since November 2004, a Director of Luzhou Nanyuan Taxi Co., Ltd. (瀘州南苑出租汽車有限公司) since January 2003 and a Director of Luzhou Nanyuan Hotel Co., Ltd. (瀘州南苑賓館有限公司) since December 2002. In addition, Mr. Xiong also served as a Director of Luzhou Rural Commercial Bank Co., Ltd. (瀘州農村商業銀行股份有限公司) since July 2017. Before that, Mr. Xiong served as a Director of Luzhou Longmatan Rural Commercial Bank Co., Ltd. (瀘州龍馬潭農村商業銀行股份有限公司) (one of the predecessors of Luzhou Rural Commercial Bank Co., Ltd.) from October 2013 to July 2017. Mr. Xiong served as the general manager of Jiale Real Estate from September 1994 to September 1998.

Mr. Xiong obtained an executive master's degree in business administration from Tsinghua University (清華大學) in Beijing, the PRC, in July 2010 and another executive master's degree in business administration from Tsinghua University in Beijing, the PRC, in January 2015. Mr. Xiong was approved as a senior engineer by Sichuan Title Reform Leading Group (四川省職改領導小組) in June 1999.

## Directors, Supervisors, Senior Management and Employees

### **Non-executive Director LIU Qi (劉奇)**

**Mr. LIU Qi (劉奇)**, aged 37, has been a Director since November 2017. He is primarily responsible for providing strategic advice on corporate development and making recommendations on major operational and managerial decisions of our Bank. Mr. Liu is also a member of each of the development and strategy committee and the consumer rights protection committee.

Mr. Liu has been a deputy general manager of Luzhou Industrial Investment Group Co., Ltd. (former Luzhou Industrial Investment Group) since June 2017. He also served as the 7th vice president of Luzhou Youth Entrepreneurs Association since October 2021. He has been a chairman of Luzhou Developing & Financing Guarantee Co., Ltd. (瀘州發展融資擔保有限公司) since March 2019. He took a temporary position as a member of the Party and deputy secretary of the Communist Youth League in Luzhou from May 2020 to May 2021. He has been a Director of Sichuan Lutianhua Co., Ltd. (四川瀘天化股份有限公司) from April 2019 to December 2021; a Director of Luzhou Developing Machinery Co., Ltd. (瀘州發展機械有限公司) from July 2018 to September 2021; a Director of Luzhou Development Cellulose New Materials Co., Ltd. (瀘州發展纖維素新材料有限公司) from March 2018 to September 2021; an Executive Director and general manager of Luzhou Developing & Financing Leasing Co., Ltd. (瀘州發展融資租賃有限公司) from November 2017 to April 2019; a Director of Southwest Medical and Health Industry Investment Co., Ltd. (西南醫療健康產業投資有限公司) from April 2017 to March 2019; a Director and general manager of Luzhou Developing & Financing Guarantee Co., Ltd. from October 2016 to March 2019 and a Director of Luzhou Culture and Tourism Investment Group Co., Ltd. (瀘州市文化旅遊發展投資集團有限公司) from September 2016 to April 2019. Mr. Liu has served as a Director of Luzhou Hejiang Industrial Investment Co., Ltd. from April 2016 to May 2017. Mr. Liu also held a number of other positions in Luzhou Industrial Investment Group Co., Ltd. (瀘州產業發展投資集團有限公司), including the head of the office of the Board of Directors from June 2015 to October 2017 and the assistant to general manager from May 2016 to October 2017. Mr. Liu served as the principal of Luzhou Section Reforming Leading Group of Sichuan Chemical Engineering Holding Group Co., Ltd. (四川化工控股集團瀘州板塊改革工作領導小組辦公室) from May 2014 to April 2015. Prior to that, he worked at the People's Government of Lu County (瀘縣人民政府) as a staff member of the office secretary section (辦公室秘書科科員) from August 2011 to December 2011, a deputy section chief (副科長) of the office secretary section from December 2011 to August 2012, the head (主任) of the supervision and inspection office (督察室) from August 2012 to April 2015 and a deputy office director (辦公室副主任) from July 2013 to April 2015. Mr. Liu served as a staff member, a deputy head (副主任) and organization personnel cadre (組織人事幹事) of Luxian Niutan Town CPC and People's Government Office (瀘縣牛灘鎮黨政辦公室) from July 2008 to August 2011.

Mr. Liu obtained a bachelor's degree in economics from Xihua University (西華大學) in Sichuan Province, the PRC, in June 2008.

## Directors, Supervisors, Senior Management and Employees

### **Non-executive Director DAI Zhiwei (代志偉)**

**Mr. DAI Zhiwei (代志偉)**, aged 53, has been a Director since December 2015. He is mainly responsible for providing strategic advice on the corporate developments and making recommendations on major operational and managerial decisions of our Bank. Mr. Dai is also a member of the development and strategy committee of our Bank.

Mr. Dai has been a chairman and legal representative of Xinglu Investment Group since December 2020. He has served as a chairman and legal representative of Luzhou Chengnan Construction Investment Co., Ltd. (瀘州市城南建設投資有限責任公司) and a chairman and legal representative of Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. (瀘州市基礎建設投資有限公司) since February 2021. He has been a director of Xinglu Investment Group from March 2015 to December 2020 and a general manager of Xinglu Investment Group from April 2015 to December 2020. He served as a director and general manager of Luzhou Chengnan Construction Investment Co., Ltd. and general manager of Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. from June 2015 to January 2021. He has been a director of Sichuan Xuda Railway Co., Ltd. (四川敘大鐵路有限責任公司) from September 2016 to October 2019, a director of Sichuan South Express Highway Co., Ltd. (四川南方高速公路股份有限公司) from July 2016 to September 2019. He has been a director of Sichuan Yusheng Wine Industry Investment Management Co., Ltd. (四川宇晟酒業投資管理有限公司) since August 2015. Mr. Dai served as a member of the standing committee of the CPC and a deputy district chief (副區長) of Naxi district of Luzhou from May 2012 to February 2014 and a deputy secretary (副書記) of CPC committee of Naxi district of Luzhou from February 2014 to March 2015. Mr. Dai worked as a deputy county chief (副縣長) of Hejiang county from November 2007 to May 2012 and a member of the standing committee of the CPC of Hejiang county from October 2011 to May 2012. He worked as the head (主任) of Luzhou Agriculture Development Office (瀘州市農業發展辦公室) from July 2007 to November 2007. Mr. Dai worked at the Agriculture Section of Luzhou Municipal Finance Bureau (瀘州市財政局農業科) as a senior staff member (副主任科員) and then a principal staff member (主任科員) from August 1998 to June 2002, a deputy section chief (副科長) from June 2002 to May 2004 and then the section chief (科長) from May 2004 to July 2007. Mr. Dai worked as a senior staff member (副主任科員) of Luzhou State-owned Assets Bureau (瀘州市國資局) from August 1994 to July 1998. He worked as a staff and then a staff of the Three Investigation Office (三查辦) of Luzhou Municipal Finance Bureau from August 1990 to August 1994.

Mr. Dai obtained a bachelor's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC, in July 1990.

## Directors, Supervisors, Senior Management and Employees

### **Independent Non-executive Director GU Mingan (辜明安)**

**Mr. GU Mingan (辜明安)**, aged 56, has been an independent non-executive Director since March 2016. He is primarily responsible for supervising and providing independent advice on the operation and management of our Bank. Mr. Gu is also the chairperson of the related party (connected) transactions control committee of our Bank and a member of each of the nomination and remuneration committee and the audit committee of our Bank.

Mr. Gu has been a lecturer in Southwestern University of Finance and Economics (西南財經大學) since 1999 and was promoted to an associate professor in 2002 and then a professor in 2008. Mr. Gu has been an independent director of Sunway Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 603333) since December 2020. He served as an independent non-executive director of Luzhou Xinglu Water (Group) Co., Ltd. (a company listed on the Stock Exchange, stock code: 2281) since March 2017. He served as an independent director of Sichuan Troy Information Technology Co., Ltd. (四川創意信息技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300366) since January 2016, and an independent director of Chengdu Hi-Tech Development Co., Ltd. (成都高新發展股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000628) since September 2015. Mr. Gu served as an independent director of Sichuan Guoxin Liancheng Asset Management Co., Ltd. (四川省國新聯程資產管理有限公司) (formerly known as Chengdu Guoxin Liancheng Asset Management Co., Ltd. (成都市國新聯程資產管理有限公司)) from September 2017 to September 2018. He served as an independent director of Sichuan Longchang Rural Commercial Bank Co., Ltd. (四川隆昌農村商業銀行股份有限公司) from March 2016 to May 2019. Mr. Gu served as an independent director of Zhejiang Renzhi Co., Ltd. (浙江仁智股份有限公司), a company listed on the Shenzhen Stock Exchange from September 2014 to September 2017. Prior to joining Southwestern University of Finance and Economics (西南財經大學), Mr. Gu worked at Sichuan Light Chemical Industry College (四川輕化工學院) (currently known as Sichuan Light Chemical Industry University (四川輕化工大學)) from July 1993 to July 1999 and worked at Chenguang Chemical Research Institute of Chemical Industry Ministry (化工部晨光化工研究院) (currently known as Zhonghao Chenguang Chemical Research Institute Co., Ltd. (中昊晨光化工研究院有限公司)) from July 1989 to July 1993.

Mr. Gu obtained a bachelor of laws degree from Southwest China Normal University (西南師範大學) (currently known as Southwest University (西南大學)) in Chongqing, the PRC, in July 1989, a master of laws degree from Southwest University of Political Science & Law (西南政法大學) in Chongqing, the PRC, in July 1999 and the doctoral degree in law from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC, in July 2008.

### **Independent Non-executive Director HUANG Yongqing (黃永慶)**

**Mr. HUANG Yongqing (黃永慶)**, aged 60, has been an independent non-executive Director since November 2017. He is primarily responsible for supervising and providing independent advice on the operation and management of our Bank. Mr. Huang is also the chairperson of the consumer rights protection committee and a member of the related party (connected) transactions control committee of our Bank.



## Directors, Supervisors, Senior Management and Employees

Mr. Huang has been the head of Beijing Long'an (Chengdu) Law Firm (北京隆安(成都)律師事務所) since July 2016 and a senior partner of Beijing Long'an Law Firm (北京隆安律師事務所) since September 1999. Mr. Huang has been a member of the legal advisory board for the overseas Chinese (為僑服務法律顧問團) of the Overseas Chinese Affairs Office of the State Council (國務院僑務辦公室) since December 2017, a vice president of China Trademark Association (中華商標協會) since October 2016, an external lecturer of Tianjin Prosecutors College (天津市檢察官學院) since October 2015, an executive council member of the investment association of the CCTV-Securities News Channel (CCTV 證券資訊頻道) of Central Xinying Digital Media Co., Ltd. (中央新影數字傳媒有限公司) since June 2014, a council member of the Sichuan Enterprise Confederation (四川省企業聯合會) and the Sichuan Enterprise Directors Association (四川省企業家協會) since January 2014, a council member of the council of Jurist magazine of Law School of Renmin University of China (中國人民大學法學院《法學家》雜誌) since May 2009, and the director (所長) of the Futures Law Research Institute of China University of Political Science and Law (中國政法大學期貨法律研究所) since December 1995.

Mr. Huang obtained a bachelor of laws from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1983 and a master of laws degree from China University of Political Science and Law (中國政法大學) in Beijing, the PRC, in July 1986. Mr. Huang obtained the lawyer's qualification certificate of the PRC in January 1999.

### **Independent Non-executive Director YE Changqing (葉長青)**

**Mr. YE Changqing (葉長青)**, aged 51, has been an independent non-executive Director since December 2018. He is primarily responsible for supervising and providing independent advice on the operation and management of our Bank. Mr. Ye is also the chairperson of the audit committee and a member of each of the related party (connected) transactions control committee and the risk management committee of our Bank.

Mr. Ye has been an independent non-executive director of Hygeia Healthcare (a company listed on the Hong Kong Stock Exchange, stock code: 6078) since September 2019. Mr. Ye has been an independent non-executive director of Ascentage Pharma (a company listed on the Hong Kong Stock Exchange, stock code: 6855) since June 2019. Mr. Ye has been an independent non-executive director of Jinxin Fertility (a company listed on the Hong Kong Stock Exchange, stock code: 1951) since June 2019. Mr. Ye has been an independent director of Niu Technologies (a company listed on the NASDAQ Stock Exchange, stock code: NIU) since October 2018. Mr. Ye has been an independent director of Baozun Inc. (a company listed on the NASDAQ Stock Exchange, stock code: BZUN) since May 2016. Mr. Ye also served as a consultant for CITIC PE Advisors (Hong Kong) Limited (中信產業投資基金(香港)顧問有限公司) from January 2016 to December 2016. Mr. Ye worked at CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司) from February 2011 to December 2015 and was a managing director (董事總經理), the chief financial officer and a member of the investment committee when he left. Mr. Ye worked at PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (普華永道中天會計師事務所(特殊普通合夥)) from April 1993 to January 2011 and was a partner (合夥人) of the Advisory Services, the leader (主管) of the Advisory Services of Shanghai office and the leader (主管) of the Transaction Services of Shanghai office when he left.

Mr. Ye obtained a bachelor of laws degree from Huazhong University of Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)), in Hubei Province, the PRC, in July 1992 and further obtained the degree of master of business administration from University of Warwick in the United Kingdom in November 1999. Mr. Ye was a practising member of Shanghai Institute of Certified Public Accountants from December 2000 to March 2011 and afterwards a non-practising member.

## Directors, Supervisors, Senior Management and Employees

### **Independent Non-executive Director TANG Baoqi (唐保祺)**

**Mr. TANG Baoqi (唐保祺)**, aged 62, has been an independent non-executive Director since December 2018. He is primarily responsible for supervising and providing independent advice on the operation and management of our Bank. Mr. Tang is also the chairperson of the nomination and remuneration committee and a member of the audit committee of our Bank.

Mr. Tang once worked at China CINDA (HK) Holdings Company Limited as a senior manager, the general manager of risk management department and the chief risk officer since February 2000 and was a director when he left China CINDA (HK) Holdings Company Limited in March 2018. He was an independent non-executive director of Newlink Technology Inc. (a company listed on the Stock Exchange, stock code: 9600) since December 2020. Mr. Tang was a non-executive director of China Fortune Financial Group Limited (中國富強金融集團有限公司) (a company listed on the Stock Exchange, stock code: 290) from March 2016 to April 2018, a non-executive director of China National Materials Company Limited (中國中材股份有限公司) from July 2011 to July 2016, and an executive director of Silver Grant International Industries Limited (銀建國際實業有限公司) (a company listed on the Stock Exchange, stock code: 00171) from March 2008 to July 2011. Mr. Tang worked at the creditors' rights department (債權部) of China CINDA Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (a company listed on the Stock Exchange, stock code: 01359; preference share stock code: 04607) from June 1999 to February 2000.

Mr. Tang obtained a bachelor's degree in economics from Hubei Institute of Finance and Economics (湖北財經學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei Province, the PRC, in July 1983. Mr. Tang was certified as a senior economist by China People's Construction Bank (中國人民建設銀行) (currently known as China Construction Bank Corporation (中國建設銀行股份有限公司)) in December 1995.

## Directors, Supervisors, Senior Management and Employees

### Independent non-executive Director ZHONG Jin (鍾錦)

**Mr. ZHONG Jin (鍾錦)**, aged 60, has been an independent non-executive Director since November 2020. He is primarily responsible for supervising and providing independent advice on the operation and management of our Bank. Mr. Zhong is also a member of the nomination and remuneration committee, the related party (connected) transactions control committee and the risk management committee of our Bank.

Mr. Zhong has been approved by China CINDA Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (formerly known as China CINDA Asset Management Corporation (中國信達資產管理公司)) (a company listed on The Stock Exchange of Hong Kong Limited, stock code: 01359; preference share stock code: 04607) to resign his position since July 2020. Prior to this, Mr. Zhong served as a counsel (巡視員) of China CINDA Asset Management Co., Ltd. since June 2019 and the chairman and secretary of the CPC Committee (黨委書記) of China CINDA (Hong Kong) Holdings Company Limited (中國信達(香港)控股有限公司) from October 2014 to May 2019, and served as the managing director and a member of the CPC Committee (黨委委員) of Well Kent International Investment Company Limited (華建國際投資有限公司) (now known as China CINDA (Hong Kong) Holdings Company Limited) from March 2011 to October 2014. From February 2005 to February 2011, he served as the director and secretary of the CPC Committee (主任、黨委書記) of the Chengdu Office of China CINDA Asset Management Co., Ltd., and from February 2002 to February 2005, he served as the deputy director (副主任) of the Guiyang Office of China CINDA Asset Management Co., Ltd. From February 1985 to February 2002, he successively served as a loan officer (信貸員) of the Sichuan Branch of China Construction Bank Co., Ltd. (CCB), deputy division head and vice president (副科長及副行長) of the Directly-affiliated Branch (直屬支行) of the Sichuan Branch of CCB, vice president and president (副行長及行長) of the Railway Sub-branch (鐵道支行) of the Sichuan Branch of CCB, president and the general manager of International Business Department (行長兼國際業務部總經理) of the Minjiang Sub-branch (岷江支行) of Sichuan Branch of CCB, and director (處長) of Information Statistics Division (信息統計處) of the Sichuan Branch of CCB, and he also served as a teacher at East China Jiaotong University (華東交通大學) from February 1982 to February 1985.

Mr. Zhong obtained a doctoral degree in finance from Southwestern University of Finance and Economics (西南財經大學) in Chengdu, the PRC in June 2006. Mr. Zhong was certified as a senior economist by the Sichuan Branch of CCB in March 1994.

# Directors, Supervisors, Senior Management and Employees

## 2. Supervisors

**Mr. DUAN Xuebin (段學彬)**, aged 56, has been an external Supervisor and the chairman of the nomination committee under the Board of Supervisors since January 2016. He is primarily responsible for supervising the performance of duties by the Directors and the senior management of the Bank, convening and presiding over the meetings of the nomination committee of the Board of Supervisors, and organizing the performance of duties of the nomination committee of the Board of Supervisors.

Mr. Duan worked at Luzhou Jiangyang Jinxin Small Loan Co., Ltd. (瀘州市江陽區金鑫小額貸款有限公司) as the general manager from March 2015 to April 2016. Mr. Duan worked at Lu County School Enterprise Architecture Engineering Company (瀘縣校辦企業建築工程公司) as a vice general manager from October 2013 to February 2015, re-joined the company afterwards and has been its vice general manager since May 2016. Mr. Duan worked at the Luzhou Branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司瀘州市分行) and served as an intermediate independent credit approver (信貸中級獨立審批人) from January 2011 to April 2013 and then the institutional business customers manager of the business department from April 2013 to September 2013. Mr. Duan worked at the Luzhou Branch of the Agricultural Bank of China Limited (中國農業銀行股份有限公司瀘州市分行) but was seconded as a junior independent approver (初級獨立審批人) at the customers department of Hejiang sub-branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司合江縣支行) from April 2009 to December 2010. From January 1991 to March 2009, Mr. Duan worked at the Hejiang sub-branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司合江縣支行) and served as a credit clerk (信貸員) of Daqiao Business Office (大橋營業所) from January 1991 to February 1993, the deputy director (副主任) and then the director (主任) of Baisha Business Office (白沙營業所) from March 1993 to March 2000, the director (主任) of Daqiao Business Office (大橋營業所) from April 2000 to April 2004, and the director (主任) of the customers department from May 2004 to March 2009.

Mr. Duan completed the studies at junior college level (專科) through correspondence study and graduated from Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC, in July 1998, majoring in finance. He further completed the undergraduate studies through correspondence study and graduated from Southwest University of Political Science & Law (西南政法大學) in Chongqing, the PRC, in July 2003, majoring in law.

**Mr. GUO Bing (郭兵)**, aged 53, has been an external Supervisor and the chairman of the audit and supervision committee under the Board of Supervisors since May 2019. He is primarily responsible for supervising the performance of duties by the Directors and the senior management of the Bank, convening and presiding over the meetings of the audit and supervision committee of the Board of Supervisors, organizing the performance of duties of the audit and supervision committee of the Board of Supervisors and organizing audit work within the work scope of the Board of Supervisors.

Mr. Guo is a head of Sichuan Liguang Law Firm (四川理光律師事務所) and joined the firm in August 1996. Mr. Guo worked at the Sichuan Petroleum Administration Logging Company (四川石油管理局測井公司) as an engineer from July 1991 to May 2000. Mr. Guo worked at Luzhou Foreign-related Law Firm (瀘州涉外律師事務所) as a part-time job from August 1996 to May 2000 and served as a full-time lawyer from May 2000 to May 2005. Mr. Guo worked at Sichuan Liguang Law Firm (四川理光律師事務所) as a deputy head from May 2005 to January 2009 and as a head since January 2009.

Mr. Guo obtained his undergraduate degree in field geophysics specialization from Southwest Petroleum University (西南石油學院) in June 1991, the lawyer's qualification certificate in the PRC in August 1996, and a lawyer's license in the PRC in 1997.

## Directors, Supervisors, Senior Management and Employees

**Ms. LIU Yongli (劉永麗)**, aged 51, has been an employee representative Supervisor of our Bank since January 2016, and the independent approver of the credit approval department of our Bank since May 2020. She is primarily responsible for supervising the performance of duties by the Directors and senior management of our Bank.

Ms. Liu has been a supervisor of Luzhou Industrial Investment Group since March 2015. Ms. Liu joined our Bank in July 2002 and served as the principal accountant (主辦會計) of Zhongshan sub-branch (忠山支行) of our Bank from July 2002 to December 2003, the head (科長) of the financial accounting and technology department (財會科技部) from January 2004 to December 2004, the head (科長) of the operation management department (運行管理部) from January 2005 to February 2008, a vice president of Xiaoshi sub-branch (小市支行) from February 2008 to November 2010, the head of the risk management department from November 2010 to November 2011, the general manager of the internal control and compliance department and the head of the internal audit department from November 2011 to June 2012, the general manager of the risk management department from June 2012 to February 2013, the general manager of the credit business department from February 2013 to October 2015 and the general manager of the internal control and compliance department (security department) of our Bank from October 2015 to June 2018 and the general manager of the risk management department of our Bank from June 2018 to May 2020. Prior to joining our Bank, Ms. Liu held several positions in human resources, labor and capital, planning, credit, statistics and accounting at Hejiang sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司合江支行) from August 1991 to July 2002. She held positions in savings and post-savings supervision at Gulin sub-branch of China Construction Bank Corporation (中國建設銀行股份有限公司古蔺支行) from September 1988 to July 1991.

Ms. Liu passed the self-taught higher education exams of accounting at undergraduate level (會計專業本科高等教育自學考試) and was approved for graduation by Southwestern University of Finance and Economics (西南財經大學) in Sichuan Province, the PRC in June 2007. Ms. Liu was certified as a senior international finance manager jointly by China Association of Chief Financial Officers (中國總會計師協會), International Financial Management Association (國際財務管理協會), Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and Research Center of State owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會研究中心) in August 2013. Ms. Liu also obtained the certificate in banking fundamentals (公共基礎證書) granted by the China Banking Association (中國銀行業協會) in October 2007, and the certificate of intermediate level of accounting granted by MOF in May 2002.

**Mr. CHEN Yong (陳勇)**, aged 49, has been an employee representative Supervisor of our Bank since January 2016, and the general manager of the administration department (綜合管理部) of our Bank since December 2019. He is primarily responsible for supervising the performance of duties by the Directors and senior management of our Bank.

Mr. Chen joined our Bank in July 2002 and successively served as a bank teller from July 2002 to December 2005, the president of Jiale sub-branch (佳樂支行) from January 2006 to December 2007, a business manager at the operation management department (運行管理部) from January 2008 to September 2010, the president of Lianhuachi sub-branch (蓮花池支行) from September 2010 to February 2012, the president of Jiangbei sub-branch (江北支行) from March 2012 to February 2014, an assistant to president of Xiaoshi sub-branch (小市支行) from February 2014 to May 2015, the vice general manager of the administration department from November 2015 to December 2018, and the vice head of the office of the Board of Directors from May 2015 to December 2018, and the vice general manager (presiding over work) of the administration department from December 2018 to December 2019.

Mr. Chen graduated from Chongqing University Internet Education College (重慶大學網絡教育學院) in the PRC in January 2010, majoring in economics and business administration through long distance learning. Mr. Chen graduated from The Open University of China (國家開放大學) in the PRC in January 2021 with a bachelor degree in finance.

# Directors, Supervisors, Senior Management and Employees

## 3. Members of Senior Management

For biographical details of **Mr. LIU Shirong (劉仕榮)**, please refer to the section “1. Directors – Executive Directors” above.

**Ms. YUAN Shihong (袁世泓)**, aged 51, graduated from the Correspondence Institute of the Party School of Sichuan Provincial Committee of the CPC (中國共產黨四川省委員會黨校函授學院) as an undergraduate, majoring in law (through correspondence study). She is a political engineer.

Ms. Yuan was appointed as the vice president of the Bank by the Board of Directors of the Bank in January 2022 (the term of office will take effect from the date when the CBIRC Sichuan Office approves her qualification for the position of vice president). Ms. Yuan served as a Supervisor and Chairwoman of the Board of Supervisors of the Bank from January 2016 to January 2022. Prior to that, Ms. Yuan worked as a member of the standing committee of and the minister of the Organization Department of the Luxian CPC Committee (中國共產黨瀘縣縣委) from July 2015 to November 2015. From November 2004 to July 2015, Ms. Yuan worked at the Organization Department of the Luzhou CPC Committee (中國共產黨瀘州市委組織部) and served as a senior staff member (副主任科員) from March 2005 to June 2005, a senior staff member (副主任科員) of the second division of cadre (幹部二處) from June 2005 to February 2006, a deputy division director (副處長) of the second division of cadre (幹部二處) from February 2006 to May 2010, a principal staff member (主任科員) of the second division of cadre (幹部二處) from October 2007 to May 2010, a deputy division director (副處長), a principal staff member (主任科員), and then the division director (處長) of the third division of cadre (幹部三處) from May 2010 to June 2014, and a member of the ministry and commission (部務委員) and the section chief (科長) of the third chief of cadre (幹部三科) from June 2014 to July 2015. Prior to that, Ms. Yuan worked as the section chief (科長) of the organization division (組織科) and then a senior staff member (副主任科員) of the Organization Department of the Luzhou Naxi District CPC Committee (中國共產黨瀘州市納溪區委組織部) from July 2002 to November 2004, and a staff member (科員) and then the head of office (辦公室主任) of Sichuan Luzhou Naxi District Labor Bureau (四川省瀘州市納溪區勞動局) from September 1992 to July 2002.

**Ms. XUE Xiaoqin (薛曉芹)**, aged 53, obtained a master’s degree of business administration from The Open University of Hong Kong, and is a senior international financial manager, and an intermediate economist.

Ms. Xue has been a vice president of our Bank since May 2016. Ms. Xue is currently a supervisor of each of Lutianhua (Group) Co., Ltd. (瀘天化(集團)有限責任公司) and Luzhou Laojiao Group. Ms. Xue joined our Bank in October 1997. Ms. Xue was appointed as a candidate for vice president of our Bank from November 2015 to May 2016. Ms. Xue served as the assistant to president of our Bank from December 2012 to November 2015, during which period she also worked as the general manager of the direct customers department from January 2013 to February 2014 and the general manager of the direct (institutional) customers department of our Bank from February 2014 to January 2015. From November 2011 to January 2013, Ms. Xue served as the general manager of the customer marketing department of our Bank. From October 2010 to November 2011, Ms. Xue worked as the responsible person of the customer marketing department of our Bank. She worked as a vice director, the responsible person and then the head of the business department of our Bank from January 2007 to October 2010. She served as an acting vice president (代理副行長) of Anfu sub-branch of our Bank from October 1997 to February 1998, the vice president of Anfu sub-branch of our Bank from February 1998 to May 2000 and then the president of Anfu sub-branch of our Bank from November 2002 to December 2006. From May 2000 to November 2002, she worked as the vice president of Naxi sub-branch of our Bank. Ms. Xue worked at Anfu Urban Credit Cooperative (安富城市信用社) from September 1988 to June 1992. Ms. Xue worked at Anfu Business Office of Municipal Central Urban Credit Cooperative (市中區城市信用社) from June 1992 to August 1997.

## Directors, Supervisors, Senior Management and Employees

**Mr. WU Ji (吳極)**, aged 48, obtained an on-job postgraduate from the Correspondence Institute of the Party School of Sichuan CPC Committee (中國共產黨四川省委員會黨校函授學院), majoring in economics.

Mr. Wu has been a vice president of our Bank since August 2020. Mr. Wu joined our Bank in April 2016 and served as a party organization member and the secretary of the branch of the CPC General Committee of the Bank from April 2016 to December 2016, a member of the Interim CPC Committee and the secretary of the branch of the CPC General Committee of the Bank from January 2017 to September 2017, a member of the CPC Committee and the secretary of the Discipline Inspection Committee of the Bank from September 2017 to August 2020, during which period he served as the chairman of Luxian Yuantong Rural Bank Co., Ltd. since July 2018. Prior to joining our Bank, Mr. Wu worked at the City Reception Office of the Luzhou Municipal Government Office Administration and served as a deputy director-general (副局長) from August 2015 to April 2016. From December 2010 to August 2015, Mr. Wu worked at Gulin County government and served as a Standing Committee Member of the Gulin County CPC Committee (中共古蔺縣委) and a deputy mayor of the county government (responsible for executive work of the county government) from July 2013 to August 2015, a Standing Committee Member of the Gulin County CPC Committee (中共古蔺縣委), the department head (部長) of the Organization Department, a deputy director of the County Editorial Committee (縣編委會), the secretary of the Work Committee of the Department under the CPC Committee of the county (縣直機關工委) and the headmaster of the county's Party School of the CPC Committee from December 2010 to July 2013. From July 1997 to December 2010, he worked at the Organization Department of the Luzhou CPC Committee (中共瀘州市委組織部) and held various positions. Mr. Wu served as a member of the ministry and commission (部委委員) of the Organization Department of the Luzhou CPC Committee (中共瀘州市委組織部) and the division director (處長) of the second division of cadre (幹部二處) from February 2008 to December 2010. He worked as the division director of the second division of cadre of the Organization Department of the Luzhou CPC Committee from February 2007 to February 2008 and the division director of the cadre supervision division (幹部監督處) of the Organization Department of the Luzhou CPC Committee from January 2005 to February 2007. From November 2003 to January 2005, he acted as a senior staff member and a principal staff member (副主任、主任科員) of the office of Organization Department of the Luzhou CPC Committee. He served as the deputy division director (副處長) of the organization division of Organization Department of the Luzhou CPC Committee from September 2001 to November 2003, during which period he served as the deputy department head (副部長) of the Organization Department of the Hejiang County CPC Committee (合江縣委) from April 2002 to April 2003 and worked as the principal staff member since December 2002. Mr. Wu worked at the organization division of the Organization Department of the Luzhou CPC Committee from August 1998 to September 2001, during which period he acted as a senior staff member since August 1999. Prior to that, Mr. Wu served as a staff member and clerk of the office of the Organization Department of the Luzhou CPC Committee from January 1998 to August 1998 and from July 1997 to January 1998, separately. He served as the assistant to the mayor of Luobu Township, Xuyong County (deputy section level) from July 1995 to July 1997.

## Directors, Supervisors, Senior Management and Employees

**Mr. YANG Bing (楊冰)**, aged 46, obtained a bachelor's degree in economics from Southwestern University of Finance and Economics (西南財經大學), and is an interbank lending market trader.

Mr. Yang has been a vice president of our Bank since April 2016. He joined our Bank in April 2016. Prior to joining our Bank, Mr. Yang operated his own business. Mr. Yang worked at Nanchong City Commercial Bank Co., Ltd. (南充市商業銀行股份有限公司) (currently known as Sichuan Tianfu Bank Co., Ltd. (四川天府銀行股份有限公司)) as the general manager of the marketing department from December 2001 to June 2009 and the assistant to president from July 2009 to April 2013. Mr. Yang worked at Yilong County sub-branch of PBoC (中國人民銀行儀隴縣支行) from August 1999 to November 2001.

**Mr. AI Yong (艾勇)**, aged 49, obtained a part-time postgraduate degree from Sichuan Academy of Knowledge Economy and Management (四川知識經濟管理科學院), majoring in business administration. He is an accountant and senior international finance manager.

Mr. Ai has been the assistant to president of our Bank since December 2012. Mr. Ai joined our Bank in September 1997 and successively acted as a deputy director (副主任) (presiding over work) of the business department from September 1997 to March 1999, the deputy division chief of the supervision and audit division (稽核監察處) from April 1999 to July 1999, a deputy director (副主任) of the clearing center from July 1999 to December 1999, a deputy division chief of the finance and accounting division (財務會計處) from December 1999 to December 2001, the division chief of the assets preservation division (資產保全處) from January 2002 to December 2003, the president of Zhongshan sub-branch (忠山支行) from January 2004 to December 2004, the president of Jiangyang sub-branch (江陽支行) from January 2005 to October 2010, the head of the business department from October 2010 to October 2011, and the general manager of the products management department from November 2011 to November 2012. Mr. Ai also worked as the general manager of the small and micro customers department of our Bank from February 2014 to January 2015. Prior to that, Mr. Ai served as a deputy head of the business department of Luzhou Zhongshan Urban Credit Cooperative (瀘州市忠山城市信用社) (one of the predecessors of our Bank) from January 1996 to September 1997. Mr. Ai served as an accounting staff at No. 3 engineering division of China No. 5 Metallurgy Construction No. 3 Engineering Company (中國第五冶金建設第三工程公司) from July 1992 to December 1995.



## Directors, Supervisors, Senior Management and Employees

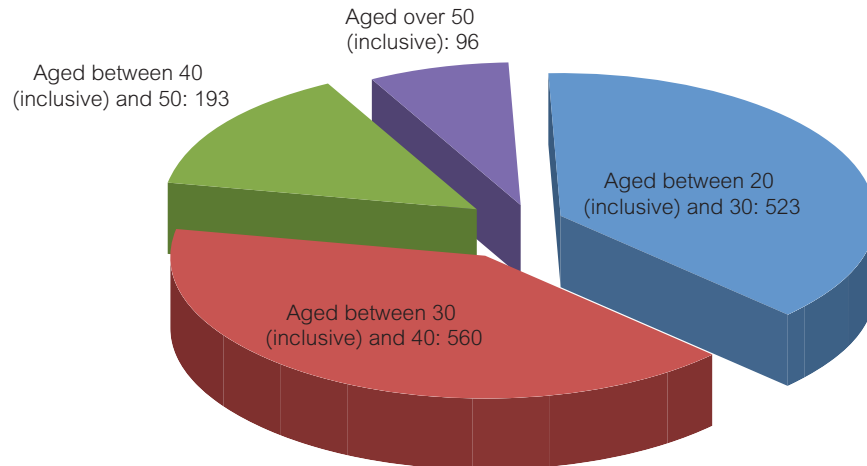
**Mr. HU Jia (胡嘉)**, aged 42, obtained a master's degree in business administration from Southwestern University of Finance and Economics (西南財經大學).

Mr. Hu has been the assistant to the president of our Bank since August 2018. He has been the president of the key customers business department (重要客戶事業部) since January 2020. Mr. Hu joined our Bank in November 2015 and served as a deputy general manager of the research and development center of our Bank from November 2015 to September 2016. He served as a deputy head (副主任) of the planning department (籌建部) of the Chengdu Branch (成都分行) of our Bank from September 2016 to February 2017. He also served as a vice president of the Chengdu Branch (成都分行) of our Bank from March 2017 to August 2018. Prior to joining our Bank, he worked at the Chengdu Guancheng Square Sub-branch (成都冠城廣場支行) of China Construction Bank Corporation as a client manager from March 2008 to September 2009, as a vice president from September 2009 to September 2012 and then as the president from September 2012 to November 2015. He worked as a client manager at the Chengdu Shawan Office (成都沙灣分理處) of China Construction Bank Corporation from April 2007 to August 2007. He served as a client manager of the corporate business department III (公司業務三部) at the Chengdu Tiedao Sub-branch (成都鐵道支行) of China Construction Bank Corporation from February 2007 to April 2007 and then from August 2007 to March 2008 respectively. Prior to that, he served as a client manager of the corporate business department III at the Mianyang Branch (綿陽分行) of China Construction Bank Corporation from March 2005 to January 2007. He served as a savings officer at the Mianyang Branch Linyuan Office (綿陽市分行臨園分理處) of China Construction Bank Corporation from September 2001 to October 2001 and worked at the Mianyang technology department (綿陽市科技處) of China Construction Bank Corporation from October 2001 to February 2005.

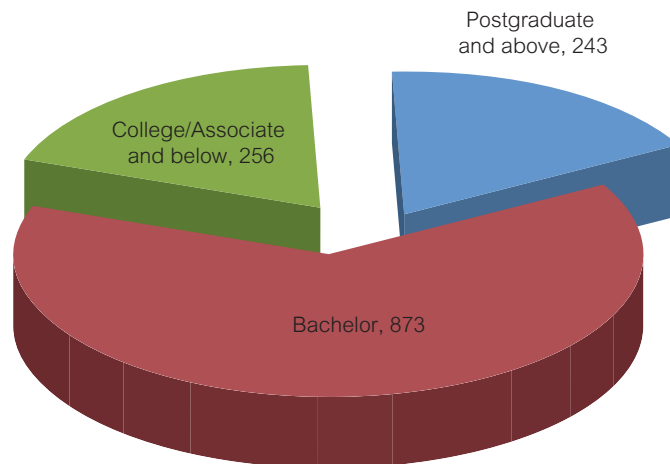
## Directors, Supervisors, Senior Management and Employees

### IV. DETAILS OF EMPLOYEES

As at the end of the Reporting Period, the Bank had 1,372 employees (including dispatched workers) in total, with an average age of 33.45. Of them, 523 employees aged between 20 (inclusive) and 30, accounting for 38.12%; 560 employees aged between 30 (inclusive) and 40, accounting for 40.82%; 193 employees aged between 40 (inclusive) and 50, accounting for 14.07%; and 96 employees aged over 50 (inclusive), accounting for 6.99%.



By educational background, the Bank had 243 employees with postgraduate degrees and above (including 3 doctoral candidates), accounting for 17.71%; 873 employees with bachelor's degrees, accounting for 63.63%; 256 employees with college/associate degrees and below, accounting for 18.66%.



#### Proportion of sci-tech talents:

There is a total of 140 sci-tech talents, accounting for 10.2% of the Bank.

## Directors, Supervisors, Senior Management and Employees

### V. TRAINING FOR EMPLOYEES

The training for employees of Bank is carried out in accordance with the actual situations of different development stages, business lines and employees' ability and quality. The Bank continuously expands the training platform, enriches training resources, improves the talent training mechanism, adopts the organization form of "online and offline, internal and external training, business and management, daily and special, the complementarity between the head office and branches", and continues to promote talent training programs such as induction training for new employees, training for young reserve cadres, leadership training for middle management, international and domestic high-end financial qualified certification training, and academic upgrading training to lay the foundation for the continuous training of high quality financial talents. During the Reporting Period, the total number of various internal and external training activities of the Bank reached 117 and the number of participants reached approximately 10,200.

# Corporate Governance Report

## I. ORGANIZATIONAL STRUCTURE FOR CORPORATE GOVERNANCE



# Corporate Governance Report

## Corporate Governance Structure

Our Bank has established a corporate governance structure which comprises the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management.

### Shareholders' general meeting

Shareholders' general meeting is the organ of authority of our Bank. Its principal responsibilities include:

- determining the operation strategies and investment plans of the Bank;
- electing and replacing non-employee representative Directors and Supervisors and determining the remuneration of Directors and Supervisors;
- reviewing and approving the reports of the Board of Directors and the Board of Supervisors;
- reviewing and approving the annual financial budget plans and final accounting plans of our Bank;
- reviewing and approving the profit distribution plans and loss recovery plans of our Bank;
- determining the increase or decrease in the registered capital of the Bank;
- determining the issuance of bonds or other securities and the listing of the Bank;
- determining the merger, spin-offs, dissolution and liquidation or change of corporate form of the Bank;
- amending the Articles of Association;
- reviewing and approving the Board of Supervisors' evaluation on Directors, the mutual evaluation reports of independent non-executive Directors, the evaluation on Supervisors by the Board of Supervisors and the mutual evaluation reports of external Supervisors;
- listening to the report of the Board of Directors on the investigation opinions of the financial regulatory authorities on the Bank and reviewing the implementation of rectification measures of our Bank;
- reviewing and approving the share incentive plans;
- reviewing and approving the proposals by Shareholders individually or in aggregate holding 3% or more of the Shares of our Bank;
- reviewing and approving the terms of reference of each of the Shareholders' general meeting, the Board of Directors and the Board of Supervisors;
- reviewing and approving matters, such as the equity investment of the Bank, the Bank's guarantee business, such as external guarantee and letter of guarantee, the Bank's investment in fixed assets, the disposal and write-off of non-performing assets, and the pledge of assets;
- reviewing and approving the persons who should be recommended by our Bank and other matters (excluding equity investment) of controlled companies and associates of the Bank;

# Corporate Governance Report

- reviewing and approving the change of the use of raised capital;
- resolving on the appointment, dismissal or non-reappointment of accounting firms of the Bank;
- matters which should be submitted to the Shareholders' general meeting for consideration in accordance with relevant laws, administrative regulations and other rules, the Listing Rules, the requirements of securities regulatory authorities where the securities of our Bank are listed, the Articles of Association and other internal requirements.

## Board of Directors

The Board of Directors is accountable to the Shareholders' general meeting. Its principal responsibilities include:

- convening the Shareholders' general meeting and reporting to the Shareholders' general meeting;
- implementing the resolutions of the Shareholders' general meeting;
- determining our Bank's operation plans, investment program and business development strategies;
- formulating the annual financial budget plans, final accounting plans, risk capital allocation plans, profit distribution plans and loss recovery plans of our Bank;
- formulating the plans for increase or decrease in registered capital, issuance of bonds or other securities and listing of the Bank;
- formulating the plans for major acquisition, acquisition of our Bank's shares or merger, spin-offs, dissolution and change of corporate form of our Bank;
- determining major matters in respect of the business operation, external investment, acquisition or sale of assets, external guarantee, pledge of assets, entrusting others to manage the Bank's assets, financial leasing, related party transactions and disposal of non-performing assets within the authorization of the Shareholders' general meeting;
- appointing or dismissing the president, vice presidents, secretary to the Board of Directors and other senior management in accordance with the nomination of the chairman of the Board of Directors and determining the senior managers' remuneration, reward and punishment;
- formulating basic management system of our Bank and determining the detailed rules in relation to business procedures proposed by the senior management;
- formulating the proposed amendments to the Articles of Association;
- being responsible for the information disclosure of our Bank and the completeness and accuracy of the Bank's accounting and financial reports;
- formulating the Directors' remuneration and allowances standards program;

## Corporate Governance Report

- listening to the report of the president of our Bank and supervising the president's work;
- determining the risk management and internal control policies of our Bank;
- supervising the work performance of the Bank's senior management and deliberating senior management's evaluation on the Bank's president, vice president, chief financial officer and other senior managers and the reports of evaluation by the Bank's senior managers on each other; and organizing the evaluation on Directors and evaluation by independent Directors on each other and reporting relevant evaluation results to the Board of Supervisors;
- periodically evaluating and consummating the governance of the Bank;
- nominating the Directors' candidates for next session;
- applying to the courts for bankruptcy on behalf of our Bank within the authorization of the Shareholders' general meeting.

The Board of Directors shall also be responsible for performing the duties of corporate governance function as set out below:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- reviewing the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report;
- establishing and reviewing the alignment of the Company's corporate culture with the Company's goals and values;
- establishing policies from which the Board can obtain independent views, reviewing annually the implementation and effectiveness of the policies and disclosing them in the Corporate Governance Report;
- reviewing the implementation and effectiveness of the Board's diversity policy.

The Board of Directors has established six special committees, including audit committee, development and strategy committee, nomination and remuneration committee, related party (connected) transactions control committee, risk management committee and consumer rights protection committee.

# Corporate Governance Report

## Board of Supervisors

The Board of Supervisors is accountable to the Shareholders' general meeting and supervises the Board of Directors, the senior management and its members of the Bank as well as the financial activities, internal control and risk management of the Bank. The Board of Supervisors conducts special surveys on specific areas and attends important meetings in order to understand the operation and management of the Bank and issue reminder letters or communication letters, and also supervise the implementation of such advice from time to time. The Board of Supervisors has established nomination committee and audit and supervision committee.

## Senior Management

The senior management is responsible for the daily operation of the Bank. The president is accountable to the Board of Directors and could organize and conduct the business management of the Bank within the authorization of the Board of Directors and in accordance with laws, administrative regulations and other rules and the Articles of Association. Our Bank has appointed four vice presidents and other senior management to assist the president of the Bank and perform their respective management responsibilities.

## II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, our Bank continued to improve the transparency of its corporate governance to protect the shareholders' interests and enhance the corporate value.

The Bank has established a modern corporate governance structure according to the Articles of Association, PRC laws and regulations and Hong Kong Listing Rules. Accountable to all the Shareholders and responsible for (among others) deciding on the Bank's business development strategies, business plans and investment plans, appointment or dismissal of senior management, establishment of internal management organizations and other matters, the Board has established various committees to perform certain functions, including audit committee, development and strategy committee, nomination and remuneration committee, related party (connected) transactions control committee, risk management committee and consumer rights protection committee. The Board of Supervisors, accountable to all the Shareholders, has the responsibility and authority to supervise the Directors and senior management and inspect the Bank's financial activities, risk management and internal control.

Our Bank has established a relatively sound corporate governance structure in accordance with the Listing Rules. The composition of the Board and the special committees of the Board are in compliance with the Listing Rules. The Bank clearly splits the responsibilities of the Shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. Shareholders' general meeting is the highest authority of our Bank. The Board of Directors is accountable to the Shareholders' general meeting. Our Board has established six special committees which operate under the leadership of the Board and make recommendations on the Board's decisions. Our Board of Supervisors supervises the stable and sound operation of our Bank and the performance of duties by our Board of Directors and senior management. Under the leadership of the Board, our senior management is responsible for implementation of board resolutions and the daily operation and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The President of our Bank shall be appointed by the Board and is responsible for the daily overall operation of our Bank.



# Corporate Governance Report

We have adopted the Corporate Governance Code (the “Code”) set out in Appendix 14 to the Listing Rules, and have reached the requirements of the administrative measures and corporate governance for domestic commercial banks, and have established a good corporate governance system.

We have strictly complied with the principles and code provisions as well as some of the recommended best practices set out in the Code during the Reporting Period. We are committed to maintaining a high standard of corporate governance.

Our Bank will continue to enhance its corporate governance to ensure compliance with the Code and meeting expectations of shareholders and potential investors.

## III. SHAREHOLDERS’ GENERAL MEETING

During the Reporting Period and as of the date of this annual report, the Bank convened two Shareholders’ general meetings in total, with relevant details set out as follows:

- (1) 2020 Annual General Meeting, 2021 First Domestic Shareholders’ Class Meeting and 2021 First H Shareholders’ Class Meeting

On June 8, 2021, the Bank held the 2020 annual general meeting, 2021 first domestic shareholders’ class meeting and 2021 first H shareholders’ class meeting, at which the Shareholders approved 13 resolutions after deliberation: To consider and approve the 2020 annual report of Luzhou Bank Co, Ltd.; To consider and approve the 2020 work report of the board of directors of Luzhou Bank Co, Ltd.; To consider and approve the 2020 work report of the board of supervisors of Luzhou Bank Co, Ltd.; To consider and approve the 2020 evaluation report on the performance of duties by the directors, supervisors, senior management of Luzhou Bank Co, Ltd.; To consider and approve the final financial accounts of Luzhou Bank Co, Ltd. for 2020; To consider and approve the 2020 profit distribution plan and capitalization issue plan of Luzhou Bank Co, Ltd.; To consider and approve the report on related party transactions of Luzhou Bank Co, Ltd. for 2020; To consider and approve the 2021 fixed assets investment plan of Luzhou Bank Co, Ltd.; To consider and approve the 2021 financial budget plan of Luzhou Bank Co, Ltd.; To consider and approve the engagement of domestic and foreign auditors of Luzhou Bank Co., Ltd. and the authorization to the Board to determine their remuneration for 2021; To consider and approve the change of registered capital of Luzhou Bank Co., Ltd.; To consider and approve the amendments to certain articles in the Articles of Association of Luzhou Bank Co., Ltd.; To consider and approve Luzhou Bank Co, Ltd. to dispose of the Creditor’s Rights with the estimated losses exceeding RMB10 million according to the Proposal on the Subsequent Disposal of the Creditor’s Rights after Judicial Reorganization.

- (2) 2021 First Extraordinary General Meeting

On November 16, 2021, the Bank held the 2021 first extraordinary general meeting. After the deliberation of the Shareholders, the following 1 resolution was approved: To consider and approve the issue of tier 2 bonds and the authorisation to the Board (with further delegation) to carry out affairs regarding the issue of tier 2 capital bonds.

## IV. BOARD

### (I) Implementation of Resolutions Passed at the Shareholders’ General Meeting by the Board

In 2021, the Board strictly implemented the resolutions passed at the Shareholders’ general meeting of the Bank and earnestly executed various proposals considered and approved at the general meeting.

# Corporate Governance Report

## (II) Board Composition

As at the end of the Reporting Period, our Board of Directors consists of 11 Directors, including two executive Directors, namely, Mr. YOU Jiang, the Chairman of the Board of Directors and Mr. LIU Shirong, the president; four non-executive Directors, namely, Ms. PAN Lina, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei; and five independent non-executive Directors, namely, Mr. GU Mingan, Mr. HUANG Yongqing, Mr. YE Changqing, Mr. TANG Baoqi and Mr. ZHONG Jin.

Our Directors (including non-executive Directors) shall serve a term of three years, and may seek re-election upon expiry of the said term. Our independent non-executive Directors shall serve a term of three years, and may seek re-election upon expiry of the said term, but the cumulative term shall not exceed six years.

## (III) Board Diversity Policy

We believe that diversity of board of directors will contribute a lot to improving our performance. We regard the increasing diversity of board of directors as a key to achieve sustainable development and support us to meet our strategic objectives and maintain good corporate governance. In designing the Board composition, we consider diversity from various aspects, including but not limited to gender, region and industry experience, skills, knowledge and educational background. All Board appointments are based on meritocracy, and candidates are considered with due regard for the benefits of Board diversity under objective conditions.

Selection of candidates of the Board is based on a series of diversified categories, including but not limited to gender, region, industry experience, skills, knowledge and educational background.

The Nomination Committee will review the policy in due time to ensure its effectiveness. The Nomination Committee will discuss any or necessary amendments and propose the amendments to the Board for approval.

As at the end of the Reporting Period, our Board of Directors consisted of 1 female director and 10 male directors, aged from 37 to 62 and domiciled in Beijing, Hong Kong, Chengdu, Luzhou, etc. These directors are corporate management personnel, university professors, lawyers, etc., with education background and professional experience covering management, economy, law, finance, etc. The Bank has fully considered the diversified requirements of board members in terms of gender, age, region, education background and professional experience.

## (IV) Change of Board Members

For details on change of Directors, please refer to the section headed Directors, Supervisors, Senior Management and Employees in this annual report.

## (V) Chairman and President

The roles, duties and responsibilities of our chairman and president are held by different individuals in accordance with the Hong Kong Listing Rules. Mr. YOU Jiang is our chairman, responsible for presiding over Shareholders' general meetings, convening and presiding over Board meetings, supervising and examining the implementation of resolutions of the Board. Mr. LIU Shirong is our president, responsible for managing the business operations of the Bank and reporting to the Board.

# Corporate Governance Report

## (VI) Operation of the Board

The Board shall hold at least four regular meetings annually, and arrange extraordinary meetings if necessary. Board meetings shall be held onsite or by means of teleconference. The agenda of regular meeting of the Board shall be determined after consultation with the Directors, and the notice on meeting proposals and related materials shall be generally served to all Directors and Supervisors at least five days prior to the Board meeting. All Directors maintain communication with the secretary of the Board to ensure compliance with Board procedures and all applicable rules and regulations.

Minutes of Board meetings shall be recorded in detail and be provided to all attending Directors for review after the meetings, who shall propose relevant amendments after receipt of the minutes. The finalized minutes shall be sent to all Directors as soon as possible. Minutes of Board meetings shall be kept as per our file management regulations and are open for inspection by Directors at any time.

A good communication and reporting mechanism have been established among the Board, Directors and senior management. Our president reports to the Board on a regular basis and accepts supervision. Relevant senior executives are invited to attend the Board meetings from time to time to make explanations or reply to inquiries.

At the Board meetings, Directors may freely express their opinions, but important decisions shall be subject to detailed discussion. If any Director has a material interest in the matter to be considered by the Board, the relevant director shall abstain from discussion and voting on the relevant proposal, and shall not be counted in the quorum voting on the proposal.

The Board sets an office as its administrative body, responsible for the preparations for and information disclosure of Shareholders' general meetings, Board meetings and meetings of special committees under the Board and other daily affairs.

## (VII) Duties of the Board

According to the Articles of Association, the Board shall exercise the following functions and powers:

- (I) to convene a Shareholders' general meeting and report its work to the Shareholders' general meeting;
- (II) to implement resolutions of the Shareholders' general meeting;
- (III) to decide on the Bank's business plans, investment proposals and development strategies;
- (IV) to formulate the Bank's annual financial budget plans, final accounting plans, risk capital allocation plans, profit distribution plans and loss recovery plans;
- (V) to formulate proposals for increase or decrease of the registered capital, issuance of bonds or other securities and listing plans of the Bank;
- (VI) to formulate plans for material acquisitions, purchase of shares of the Bank or merger, division, dissolution and transformation of the Bank;
- (VII) to decide on major events of the Bank within the authorization of the Shareholders' general meeting, such as daily operations, external investments, acquisition, sales and swap of assets, external guarantees, pledge of assets, entrusted wealth management, financial lease, related party transactions and disposal of non-performing assets;

## Corporate Governance Report

- (VIII) to appoint or dismiss senior managers including the president, vice president and secretary of the Board of the Bank as nominated by the chairman, and decide on their remunerations, rewards and punishments;
- (IX) to formulate the basic management system of the Bank, and decide on the rights of senior management on the formulation of business procedures and other specific rules;
- (X) to formulate proposals for any amendment to our Articles;
- (XI) to be responsible for the Bank's information disclosure, and undertake the ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reports;
- (XII) to formulate a standard scheme for the remuneration and allowances of the Directors of the Bank;
- (XIII) to listen to work reports of the Bank's president and examine his/her work;
- (XIV) to decide on the Bank's risk management and internal control policies;
- (XV) to supervise the work performance of the Bank's senior management and deliberate senior management's evaluation on the Bank's president, vice president, chief financial officer and other senior managers and the reports of evaluation by the Bank's senior managers on each other; and organize the evaluation on Directors and evaluation by independent Directors on each other and report relevant evaluation results to the Board of Supervisors;
- (XVI) to regularly evaluate and improve the Bank's governance;
- (XVII) to nominate the candidates of the next session of the Board;
- (XVIII) to apply for bankruptcy to the People's Court on behalf of the Bank according to the authorization of the Shareholders' general meeting;
- (XIX) to decide on the plans for establishment of internal management structure of the Bank and establishment and withdrawal of branches of the Bank;
- (XX) to establish an identification, investigation and management mechanism for the conflict of interest between the Bank and substantial Shareholders;
- (XXI) to undertake the ultimate responsibility for information technology risks and examination and approval of mid-and-long term information technology strategies, and regularly review the Bank's reports on information technology construction and risk management;
- (XXII) to have the right to determine the business investment and pricing between the Bank and other financial institutions, including bond investment, entrusted wealth management, purchase of wealth management products, purchase of designated (specialized) asset management plans, trust plans, beneficiary certificates issued by securities companies, right to yields on claims of margin trading and short selling, securities investment funds and other business investment and pricing;

## Corporate Governance Report

- (XXIII) to be in charge of determine green credit development strategies, examine and approve the green credit objectives determined and the green credit reports submitted by senior management, and supervise and appraise the Bank's implementation of green credit development strategies;
- (XXIV) to assume the ultimate responsibility for the protection of consumer rights of the Bank, regularly listen to the reports on the progress of the protection of consumer rights; assume the ultimate responsibility for anti-money laundering (AML) management, and ensure that the Bank establishes and implements a complete and effective AML internal control system; and
- (XXV) to exercise other functions and powers that shall be exercised by the Board according to the laws, regulations, Hong Kong Listing Rules and our Articles.

### (VIII) Board Meetings

During the Reporting Period, we convened 10 Board meetings in total (including meetings by means of communications), including 7 onsite meetings and 3 meetings by means of communications, during which we primarily considered and approved 60 proposals including annual operation plans, fixed asset investment plans, financial budget plans, profit distribution plans, green credit development strategies, change of registered capital and amendments to the Articles of Association.

The list of Directors of the Bank during the Reporting Period and as of the date of this annual report and the attendance of Directors during their respective tenure in office during the Reporting Period are as follows (Directors abstaining from the meetings for their involvement in connected transactions shall be deemed as having attended the meetings):

Attendance in person/Attendance by proxy/Number of meetings held during the tenure in office

Directors	Board	Audit committee	Development and strategy committee	Nomination and remuneration committee	Related party (connected) transactions control committee	Risk management committee	Consumer rights protection committee	General meeting
YOU Jiang	9/1/10	-	3/0/3	7/0/7	-	2/0/2	-	1/1/2
XU Xianzhong <sup>1</sup>	2/1/3	-	-	-	-	-	2/0/2	0/0/0
LIU Shirong <sup>2</sup>	10/0/10	-	-	-	23/0/23	2/0/2	1/0/1	2/0/2
PAN Lina	9/1/10	4/0/4	3/0/3	-	-	-	-	2/0/2
XIONG Guoming	10/0/10	-	3/0/3	7/0/7	-	2/0/2	-	2/0/2
LIU Qi	9/1/10	-	3/0/3	-	-	-	3/0/3	2/0/2
DAI Zhiwei	7/3/10	-	3/0/3	-	-	-	-	1/1/2
LIU Anyuan <sup>3</sup>	2/0/2	2/0/2	-	-	-	-	1/0/1	0/0/0
GU Mingan	10/0/10	4/0/4	-	7/0/7	23/0/23	-	-	2/0/2
HUANG Yongqing	10/0/10	-	-	-	23/0/23	-	3/0/3	2/0/2
YE Changqing	10/0/10	4/0/4	-	-	23/0/23	2/0/2	-	2/0/2
TANG Baoqi	10/0/10	4/0/4	-	7/0/7	-	-	-	2/0/2
ZHONG Jin <sup>4</sup>	10/0/10	-	-	7/0/7	23/0/23	0/0/0	-	2/0/2

# Corporate Governance Report

## Notes:

1. Ms. LIU Anyuan resigned her position as a non-executive Director of the Bank and members of the audit committee and consumer rights protection committee of the Board due to work transfer on May 13, 2021.
2. Mr. XU Xianzhong resigned his position as an executive Director of the Bank and a member of the consumer rights protection committee of the Board due to his wishes to devote more time and dedication to focus on other personal affairs on June 7, 2021.
3. Mr. LIU Shirong was appointed by the Board as a member of the consumer rights protection committee of the Board on August 26, 2021.
4. Mr. ZHONG Jin was appointed by the Board as a member of the risk management committee of the Board on August 26, 2021.

### The seventh session of Committees under the Board

Development and strategy committee	PAN Lina (chairperson), YOU Jiang, XIONG Guoming, LIU Qi, DAI Zhiwei
Risk management committee	XIONG Guoming (chairperson), YOU Jiang, LIU Shirong, YE Changqing, ZHONG Jin
Audit committee	YE Changqing (chairperson), PAN Lina, GU Mingan, TANG Baoqi
Nomination and remuneration committee	TANG Baoqi (chairperson), YOU Jiang, XIONG Guoming, GU Mingan, ZHONG Jin
Related party (connected) transactions control committee	GU Mingan (chairperson), LIU Shirong, HUANG Yongqing, YE Changqing, ZHONG Jin
Consumer rights protection committee	HUANG Yongqing (chairperson), LIU Shirong, LIU Qi

## (IX) Continuous Professional Development Plan of Directors

We also attach importance to the on-going trainings for Directors to ensure that they have adequate knowledge of our operation and businesses and their responsibilities and duties as stipulated by relevant laws, regulatory requirements and the Articles of Association.

During the Reporting Period, all of our Directors participated in the 2021 Training Sessions on the New Corporate Governance Regulations of the Province's Corporate City Commercial Bank, updates on listed corporate governance and regulatory issues, Directors' and senior management' responsibilities, themed training on Hong Kong compliance laws, lectures of the Hong Kong Chartered Governance Institute, and the latest regulations of the ESG Guide and other trainings, actively studied the policy document such as Hong Kong policy document Listing Newsletters, Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions, the Corporate Governance Standards for Banking and Insurance Institutions and the Measures for the Evaluation of the Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) issued by CBIRC, Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy issued by the State Council, fully grasped the information required for performing duties and positively performed relevant duties. In addition, Mr. LIU Shirong also systematically studied contents mainly on the current financial situation, financial risks and financial policies by participating in training meetings such as the Joint Meeting on Financial Stability in the First Half of 2021-analysing of the Financial Stability Situation and the Operation of Banking Institutions under the Jurisdiction in the First Half of 2021, the 2021 Themed Training on the Construction of Social Credit System and the Legalistic High-quality Development of Luzhou City, The 18th China-ASEAN Exposition, The China-ASEAN Business and Investment Summit, and Summary of ESG Research Report 2021.

# Corporate Governance Report

## (X) Performance of Duties by Independent Non-executive Directors

During the Reporting Period, we have five independent non-executive Directors, the number and proportion of our independent non-executive Directors as well as the composition of the nomination and remuneration committee have complied with the relevant regulations of the Listing Rules of the Hong Kong Stock Exchange. Independent non-executive Directors serve as chairpersons of our audit committee, nomination and remuneration committee, related party (connected) transactions control committee and consumer rights protection committee. During the Reporting Period, independent non-executive Directors took an active part in the meetings of the Board and its special committees where they played their due roles by making proposals, and kept effective communication with the Bank by multiple ways such as participating in field studies, special surveys and trainings.

All of the independent non-executive Directors have expressed written independent opinions on the proposals considered by the Board. In particular, they have expressed independent opinions on risk prevention and control, compliance governance, related party transactions, appointment of auditors and other aspects, and expressed written independent opinions on material related party transactions and other significant matters. In addition, the independent non-executive Directors of the Bank gave full play to their respective professional advantages in the special committees under the Board and provided professional and independent opinions on the Bank's corporate governance and operation management, thereby providing a strong guarantee for the Board's scientific decision-making.

## (XI) Directors' Duties for Preparing Financial Statements

Directors of the Bank acknowledged their responsibilities for preparation of the financial statements of the Bank for the year ended December 31, 2021.

Directors are responsible for examining and approving the financial statements of each accounting period, to make the financial statements truthfully and fairly reflect the Bank's financial condition, operating results and cash flows.

In preparation of the financial statements for the year ended December 31, 2021, Directors have adopted and implemented applicable accounting policies and have made prudent and reasonable judgements.

## (XII) Special Committees under the Board of Directors

Pursuant to relevant laws and regulations, Articles of Association of the Bank and the Listing Rules, our Board has set up six special committees, namely, the audit committee, the development and strategy committee, the nomination and remuneration committee, the related party (connected) transactions control committee, the risk management committee and the consumer rights protection committee.

During the Reporting Period, the special committees under our Board legally, independently, normatively and effectively performed their duties and effectively improved the corporate governance level of the Board and work efficiency, thereby ensuring steady and healthy development of various businesses of the Bank.

# Corporate Governance Report

## 1. Audit committee

As at the end of the Reporting Period, the audit committee of the Bank consisted of four Directors, namely chairperson Mr. YE Changqing and members Ms. PAN Lina, Mr. GU Mingan, Mr. TANG Baoqi.

The primary duties of the audit committee during the Reporting Period include:

- conducting inspections on our accounting policies, financial condition and financial report procedures;
- being responsible for our annual audit work;
- issuing reports regarding the truthfulness, accuracy and completeness of the audited financial reports and submitting them to our Board for review;
- making recommendations on appointment, re-appointment or removal of external auditors;
- conducting inspections on our internal control systems and conducting audit on material related party transactions and connected transactions;
- performing other responsibilities as authorized by the Board; and
- performing other responsibilities in accordance with applicable laws and regulations.

In 2021, the audit committee held four meetings in total, during which it reviewed and approved ten proposals including financial budget plans, audit work plans and auditors for 2021; final financial accounts report, annual report, annual results announcement and evaluation report of internal control for 2020; and interim report, interim results announcement and internal audit constitution for 2021.

During the Reporting Period, the Audit Committee had several meetings and communications with the external auditors in the absence of executive Directors and senior management. On March 24, 2021 and August 25, 2021, the Audit Committee reviewed the audited financial statements for the year ended December 31, 2020 and the unaudited interim financial statements for the six months ended June 30, 2021 prepared in accordance with the accounting principles and policies of the Bank. It also reviewed the internal control system and the effectiveness of the Bank's internal audit function by periodically hearing the internal audit work report of our internal audit department.



# Corporate Governance Report

## 2. Development and strategy committee

As at the end of the Reporting Period, the development and strategy committee of the Bank consisted of five Directors, namely chairperson Ms. PAN Lina and members Mr. YOU Jiang, Mr. XIONG Guoming, Mr. LIU Qi and Mr. DAI Zhiwei.

The primary duties of the development and strategy committee during the Reporting Period include:

- reviewing our business objectives, investment plans and medium-and-long term development strategies;
- supervising and inspecting the implementation of our operation plans, investment plans and medium-and-long term development strategies;
- conducting research and making recommendations on merger, spin-offs, capital increase and decrease and other matters that are material to our development; and
- performing other responsibilities as authorized by the Board.

In 2021, the development and strategy committee held three meetings in total, during which it reviewed and approved the proposals of annual operating report of 2020, the annual operating plan of 2021, fixed assets investment plans and green credit development strategies (2021-2023) of the Bank.

## 3. Nomination and remuneration committee

As at the end of the Reporting Period, the nomination and remuneration committee of the Bank consisted of five Directors, namely chairperson Mr. TANG Baoqi and members Mr. YOU Jiang, Mr. XIONG Guoming, Mr. GU Mingan and Mr. ZHONG Jin.

The primary duties of the nomination and remuneration committee during the Reporting Period include:

### Nomination duties

- making recommendations on the size and composition of the Board in accordance with the business activities, asset size and equity structure of the Bank;
- conducting study on the criteria and procedures for selecting Directors and senior managers and making recommendations to the Board;
- identifying qualified individuals as Directors and selecting or making recommendations to the Board on selection of individuals nominated for directorships;
- assessing the independence of independent non-executive Directors;

## Corporate Governance Report

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the president of the Bank; and
- conducting preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board.

### **Remuneration and appraisal duties**

- contemplating the criteria for appraising Directors, conducting assessment and evaluation and making recommendations to the Board according to our actual conditions;
- making recommendations to the Board on the policy and structure for all Directors' and senior management' remuneration and on the establishment of formal and transparent procedures for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of our non-executive Directors;
- reviewing and approving compensation payable to executive Directors and the senior management for any loss or termination of office to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive; and
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

In 2021, the nomination and remuneration committee held seven meetings in total, during which it considered and approved nine proposals mainly involving such issues as the 2020 Performance Evaluation Report of Directors, Position Coefficient of Leading Personnel of Management of Marketization in 2020, Remuneration Assessment Measures of the Management Personnel, and Market Election of Candidates for Head Office President, etc.

The nomination and remuneration committee of the Bank shall recommend candidates for Directors (including independent non-executive Directors) to the Board in accordance with the following selecting criteria and nomination procedures:

## Corporate Governance Report

- identifying qualified individuals as Directors and selecting or making recommendations to our Board of Directors on selection of individuals nominated for directorships after due consideration of the requirements of the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Commercial Banking Law of the PRC, the Securities Law of the People's Republic of China, the Guidelines on Corporate Governance of Commercial Banks 《商業銀行公司治理指引》 of the CBIRC, the Management Measures on Qualifications of Directors (Council Members) and Senior Management of Banking Institutions 《銀行業金融機構董事(理事)和高級管理人員任職資格管理辦法》, the Listing Rules, the Basic Procedures for Re-election of City Commercial Banks in Sichuan 《四川法人城市商業銀行換屆工作基本流程》 and the Articles of Association (Applicable after listing of H Shares), the Rules of Procedure for Shareholders' General Meetings (Applicable after listing of H Shares), the Rules of Procedure for Board Meetings (Applicable after listing of H Shares) of the Bank and other laws and regulations, normative documents and documents in relation to internal governance with combination of the actual situation of the Bank's work and the contributions that such candidates may make to the Board with respect to its qualification, skills, experience, independence, gender diversity and other aspects; and
- assessing the independence of independent non-executive Directors with reference to the factors as set out in Rule 3.13 of the Listing Rules and any other factors the nomination and remuneration committee or the Board deems appropriate to determine their qualifications; assessing the sufficiency of time commitment of an independent non-executive Director to affairs of the Board in the event that the proposed independent non-executive Director shall hold his/her position as a director in seven (or more) listed companies.

When nominating members of the seventh session of the Board, the nomination and remuneration committee of the Bank has considered each of the independent non-executive Directors' rich experience and biographies in their respective areas of expertise and other experience, and satisfied that such independent non-executive Directors possess requisite quality, integrity and experience to perform their duties as independent non-executive Directors in a continuous and effective manner. Contributions of such independent non-executive Directors to the diversity of the Board of the Bank are set forth in their respective biographies. In addition, such independent non-executive Directors have confirmed to the Bank their compliance with the requirements regarding independence under Rule 3.13 of the Listing Rules in their election, therefore, the Board considered that such independent non-executive Directors are independent.

# Corporate Governance Report

## 4. Related party (connected) transactions control committee

As at the end of the Reporting Period, the related party (connected) transactions control committee of the Bank consisted of five Directors, namely chairperson Mr. GU Mingan and members Mr. HUANG Yongqing, Mr. YE Changqing, Mr. ZHONG Jin and Mr. LIU Shirong.

The primary duties of the related party (connected) transactions control committee during the Reporting Period include:

- reviewing and approving related party transactions and connected transactions within the authorization of the Board;
- reviewing the related party transactions and connected transactions to be submitted to the Board and general meeting for consideration and approval and reporting to the Board;
- collecting and organizing list and information of our related parties and connected persons and identifying our related parties and connected persons;
- examining and supervising control of our related party transactions and connected transactions and implementation of systems in relation to our related party transactions and connected transactions by our Directors, Supervisors, the senior management, related parties and connected persons and reporting to the Board;
- performing other responsibilities as authorized by the Board; and
- performing other responsibilities in accordance with applicable laws and regulations.

In 2021, the related party (connected) transactions control committee held 23 meetings in total, during which it considered and approved 34 proposals, in relation to updated List of Related Parties, Annual Related Party Transactions Report and 2021 Material Related Party Transactions, etc.

## 5. Risk management committee

As at the end of the Reporting Period, the risk management committee of the Bank consisted of five Directors, namely chairperson Mr. XIONG Guoming and members Mr. YOU Jiang, Mr. LIU Shirong, Mr. YE Changqing and Mr. ZHONG Jin.

The primary duties of the risk management committee during the Reporting Period include:

- reviewing risk control policies, measures and preference in relation to our credit risk, liquidity risk, market risk, operation risk, compliance risk and reputation risk etc.;
- supervising our risk control over credit risk, liquidity risk, market risk, operation risk, compliance risk and reputation risk by our senior management;

## Corporate Governance Report

- conducting periodic assessment upon our risk policies, management status and risk tolerance ability, evaluating the working procedures and working efficiency of our internal audit department and advising on improvement of our risk management and internal control;
- performing other responsibilities as authorized by the Board; and
- performing other responsibilities in accordance with applicable laws and regulations.

In 2021, the risk management committee held two meetings in total, during which it considered and approved two proposals of our 2020 Annual Risk Analysis Report, Administrative Measures for Stress Testing (2021 Version).

### 6. Consumer rights protection committee

As at the end of the Reporting Period, the consumer rights protection committee of the Bank consisted of three Directors, namely chairperson Mr. HUANG Yongqing and members Mr. LIU Shirong and Mr. LIU Qi.

The primary duties of the consumer rights protection committee during the Reporting Period include:

- formulating strategies, policies and objectives of our consumer rights protection work, incorporating content relating to consumer rights protection into our corporate governance and business development strategies and providing guidance on a general planning level to our senior management to strengthen the construction of our corporate culture of consumer rights protection;
- supervising our senior management to effectively implement consumer rights protection work, periodically listening to our senior management's special reports on the consumer rights protection work, reviewing and approving the special reports and submitting the same to the Board and making relevant work as important content of information disclosure;
- supervising and evaluating the comprehensiveness, promptness and effectiveness of our consumer rights protection work and the performance of our senior management in this respect;
- reviewing and providing comments on proposals in relation to consumer rights protection to be submitted to the Board in accordance with our overall strategies; and
- other matters as required by consumer rights protection related regulations in the banking industry or as required by the Articles of Association.

In 2021, the consumer rights protection committee held three meetings in total, during which it considered and approved three proposals of 2020 Annual Report on Consumer Rights Protection Work and 2021 Consumer Rights Protection Program and the Basic System of Financial Consumer Rights Protection (2021 Revised Version).

# Corporate Governance Report

## V. BOARD OF SUPERVISORS

### (I) Composition of the Board of Supervisors

As at the end of the Reporting Period, our Board of Supervisors consists of four Supervisors, including two employee representative Supervisors, namely, Ms. LIU Yongli and Mr. CHEN Yong, and two external Supervisors, namely, Mr. DUAN Xuebin and Mr. GUO Bing.

Our Supervisors are elected for a term of three years and may seek re-election upon expiry of the said term. The cumulative term of an external Supervisor shall not exceed six years.

### (II) Duties of the Board of Supervisors

The duties of the Board of Supervisors mainly include:

1. to examine the regular reports and bonus scheme of the Bank prepared by the Board and produce written review opinions thereon;
2. to examine and supervise financial activities of the Bank;
3. to conduct off-office auditing for Directors, president, and other senior management personnel and to guide the work of the internal audit department of the Bank;
4. to inquire Directors, president and other senior management personnel;
5. to supervise the fulfilment of duties of the Board of Directors, senior management, Directors, chairman and senior management personnel and to propose dismissal of Directors and senior management personnel who have violated laws, administrative regulations, our Articles or resolutions of the Shareholders' general meetings;
6. when the acts of a Director, president and other senior management personnel of the Bank are detrimental to its interests, to require the aforementioned persons to correct these acts;
7. to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the Shareholders' general meetings in accordance with the Company Law, to convene and preside over the Shareholders' general meetings;
8. to submit proposals to the Shareholders' general meeting;
9. to initiate legal proceedings against the Directors and senior management personnel in accordance with Article 152 of the Company Law;
10. to conduct investigations if there are any doubts or irregularities in relation to the operation of the Bank, and to engage professionals from accountant firms, law firms, professional auditors etc. if necessary to assist its duties at the expenses of the Bank;
11. to formulate a standard scheme for the remuneration and allowances of the members of the Board of Supervisors of the Bank for review and determination at the Shareholders' general meeting;

## Corporate Governance Report

12. to audit the business decisions, risk management and internal control of the Bank, and to supervise the information technology risks of the Bank;
13. to attend board meetings and obtain meeting materials;
14. to supervise the directors recruiting procedures;
15. to organize the evaluation of Supervisors and the mutual evaluation of external Supervisors, and to report the evaluation results to the Shareholders' general meeting for deliberation; and
16. to exercise other functions and powers stipulated by laws, administrative regulations and other regulations, or our Articles of Association, or granted by the Shareholders' general meetings.

### (III) Primary Ways for Performance of Duties by the Board of Supervisors

The Board of Supervisors convenes meetings of the Board of Supervisors and its special committees to review resolutions and listen to reports, convenes joint meetings of the Chairperson of the Board of Supervisors on a regular basis and conducts special inspections as well as investigations and researches to make recommendations, attends the Shareholders' general meeting, meetings of the Board and important meetings of the Bank, through which the Board of Supervisors supervises and evaluates the performance of duties by the Board and senior management and its members, oversees the financial activities, risk management and internal control of the Bank, makes recommendations on supervision and continuously supervises the implementation of all recommendations by the Bank.

During the Reporting Period, the Board of Supervisors organized and conducted evaluation on the performance of duties by our Board of Directors, Directors, senior management and its members and our Supervisors in 2020 and reported to regulatory authorities.

### (IV) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 7 meetings in total, including 7 onsite meetings and 0 meeting by means of communications, during which it considered and approved 34 resolutions, and listened to 14 reports. The contents for consideration include our operation plans, financial budget and final accounts, fixed assets investment plans, profit distribution and evaluation on the performance of duties by Directors, Supervisors and senior management. During the Reporting Period, our Board of Supervisors had no objection to all supervisory issues.

# Corporate Governance Report

## (V) Special Committees under the Board of Supervisors

Our Board of Supervisors has established nomination committee and audit and supervision committee.

### 1. Nomination committee

As at the end of the Reporting Period, the nomination committee of the Bank consisted of two Supervisors with Mr. DUAN Xuebin being the chairperson and Mr. CHEN Yong being the member.

The primary duties of the nomination committee during the Reporting Period include the following:

- providing recommendations on the size and composition of our Board of Supervisors;
- being responsible for formulating the procedures and criteria for selecting supervisors and making recommendations to our Board of Supervisors;
- identifying qualified Supervisors candidates;
- supervising the selection procedure of directors; comprehensively evaluating the duty performance of directors, supervisors and senior management personnel and reporting to the Board of Supervisors;
- supervising the scientificity and rationality of the entire Bank's remuneration management system and policies, and the remuneration package of senior management personnel;
- conducting preliminary examination of qualifications and credentials of Supervisors candidates nominated by Shareholders, and making recommendations to our Board of Supervisors accordingly; and
- performing other responsibilities as authorized by the Board of Supervisors.

In 2021, the nomination committee under the Board of Supervisors convened 1 meeting, during which it considered and approved 2 resolutions.



# Corporate Governance Report

## 2. Audit and supervision committee

As at the end of the Reporting Period, the audit and supervision committee of the Bank consisted of two Supervisors with Mr. GUO Bing being the chairperson and Ms. LIU Yongli being the member.

The primary duties of the audit and supervision committee during the Reporting Period include the following:

- formulating proposals for inspecting and supervising our financial activities;
- formulating proposals for off-office auditing on Directors and senior management;
- formulating proposals for auditing our operational decision, risk management and internal control;
- supervising the Board of Directors to establish a sound business philosophy, value standards and formulating development strategies consistent with the Bank's actual situations; and
- performing other responsibilities as authorized by our Board of Supervisors.

In 2021, the audit and supervision committee under the Board of Supervisors convened 5 meetings, during which it considered and approved 6 resolutions.

# Corporate Governance Report

## VI. SENIOR MANAGEMENT

The Bank shall have one president, who shall be elected via public employment, internal competition or external transfer, which shall be decided by the Board of Directors. The chairman of the Board shall communicate with the local party committee and government, substantial Shareholders and banking regulatory authorities under the State Council, so as to reach a consensus on the president candidates. The president shall be nominated by the chairman of the Board, and appointed or dismissed by the Board of Directors. The Bank may set a number of positions of vice president and other senior manager to meet the needs for business development. The vice presidents and senior managers shall be appointed or dismissed by the Board of Directors. All the senior managers meet the qualification conditions required by laws and regulations and banking regulatory authorities. The president shall be accountable to the Board, shall have the right to organize and carry out the Bank's operations and management in accordance with laws, administrative regulations and other rules, our Articles of Association and the authorization of the Board, and shall perform the following functions and powers:

- (I) to take charge of the business operation and management of the Bank, to organize the implementation of the resolutions of the Board and to report the work to the chairman and the Board;
- (II) to draft annual business plans and investment proposals;
- (III) to draft the Bank's basic management system;
- (IV) to formulate the Bank's specific regulations;
- (V) to make suggestions on the plans for establishment of internal management structure of the Bank and establishment and withdrawal of branches of the Bank;
- (VI) to make suggestions on the Board's appointment or dismissal of the vice president and other senior management of the Bank;
- (VII) to make suggestions on the management personnel other than those to be engaged or dismissed by the Board;
- (VIII) to make suggestions on the plans authorizing senior management and persons in charge of internal functional departments and branches to conduct operational activities;
- (IX) to make suggestions on the salaries, benefits and reward or punishment of the Bank's staff other than the senior management decided by the Board; as well as the appointment and dismissal of the Bank's staff other than the senior management decided by the Board;
- (X) to propose to convene a provisional Board meeting;
- (XI) to adopt emergency measures when any material emergency (such as a run on the Bank) arises and promptly report them to the competent administrative authorities of the State, the Board of Directors and the Board of Supervisors;
- (XII) to report the fulfilment of duties and evaluation of the senior management of the Bank to the Board of Directors and the Board of Supervisors, and to organize members of the senior management of the Bank to report their fulfilment of duties to the Board of Directors and the Board of Supervisors;

## Corporate Governance Report

(XIII) other powers and rights conferred by the Articles of Association of the Bank or by the Board.

The president shall attend Board meetings. A non-Director president shall have no voting rights thereat.

Our senior management consists of seven members, namely, Mr. LIU Shirong, Ms. YUAN Shihong, Ms. XUE Xiaoqin (whose former name is XUE Defang), Mr. WU Ji, Mr. YANG Bing (whose former name is YANG Bin), Mr. AI Yong and Mr. HU Jia.

### **VII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

Our Bank has adopted the Model Code as its code for regulating securities transactions by Directors and Supervisors of the Bank. Having made specified enquiry with all Directors and Supervisors by the Bank, our Directors and Supervisors confirmed that they have been in compliance with the Model Code throughout the Reporting Period.

### **VIII. RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

There is no financial, business, kinship or other significant/relevant relationship between the Directors, Supervisors and the senior management of the Bank.

### **IX. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

On June 8, 2021, the Shareholders' general meetings of the Bank considered and approved the resolution to amend certain articles of the Articles of Association of the Bank and completed the relevant procedures for the amendments of the Articles of Association on October 11, 2021, including but not limited to the filing of the amendments of the Articles of Association by Luzhou Market Supervision and Administration Bureau.

### **X. COMPANY SECRETARY**

Ms. SO Shuk Yi Betty is the company secretary of the Bank. All Directors can discuss with the company secretary to seek advice and obtain information. Mr. LIU Shirong, the president of the Bank, is the main contact person of Ms. SO Shuk Yi Betty in the Bank. Ms. SO Shuk Yi Betty confirmed that she has received no less than 15 hours of relevant professional training during the Reporting Period.

### **XI. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION**

The Bank engaged PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the auditor of the Bank's 2021 financial statements prepared in accordance with China Accounting Standards for Business Enterprises and PricewaterhouseCoopers as the auditor of the Bank's 2021 financial statements prepared in accordance with International Financial Reporting Standards. For the year ended December 31, 2021, the Bank had emoluments of RMB2.92 million to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for the annual audit services. During the Reporting Period, the Bank also had interim audit expense of RMB900,000 and other non-audit service expense of RMB652,500 paid/payable.

## Corporate Governance Report

### **XII. RISK MANAGEMENT, INTERNAL CONTROL AND INSIDE INFORMATION MANAGEMENT**

The Board has reviewed the risk management and internal control system for the year ended December 31, 2021 to ensure its effectiveness and sufficiency. Such review shall be conducted on an annual basis. The Board is of the view that the risk management and internal control system of the Bank for the year ended December 31, 2021 is effective and adequate.

#### **(I) Procedures Used to Identify, Evaluate and Manage Significant Risks**

Leveraging our risk appetite, risk limit, risk management information systems, and a range of risk management policies and measures, we closely monitor different types of risks to make timely response, particularly for key risks associated with our daily operations, including strategic risk, credit risk, market risk, liquidity risk, operational risk, information technology risk and reputational risk. The Bank focuses on developing the rules and policies in relation to key risks and implements the relevant measures, so as to enhance the effectiveness and efficiency of risk identification, analysis, evaluation and mitigation. We have established clear and specific reporting and communication procedures for coordination among departments, including the departments responsible for risk management at the level of branch, sub-branch, and headquarters and the Risk Management Department, to address various risks and risk incidents and ensure efficient and effective risk management work arrangement.

#### **(II) Main Features of Our Risk Management and Internal Control**

The overall target of our risk management is to maintain the balance between risks and business development so that we could effectively control risks while developing our business in a sustainable way. To achieve the abovementioned objectives, we have implemented the guiding principles of “comprehensiveness, balance, centralization and compliance” in our risk management.

The objectives of internal control of the Bank are to reasonably ensure the legal and regulatory compliance of operations and management and the security of corporate assets, and to ensure the truthfulness and completeness of financial reports and the relevant information; to enhance the efficiency and effectiveness of operations and facilitate the implementation of development strategies for the enterprises. The Bank’s internal control is compatible with its operational scale, business scope, competitive landscape and risk level, and adjustments will be made in a timely manner to keep in pace with any changes of the circumstances.

#### **(III) Responsibilities of the Board of Directors for the Risk Management and Internal Control**

The Board of Directors of the Bank is responsible for deciding on the Bank’s risk management and internal control policies. The Board of Directors’ responsibilities include establishing an adequate and effective risk management system to ensure the Bank’s prudent operation and compliance with relevant laws and financial policies; monitoring and assessing the sufficiency and effectiveness of our risk management system; and reviewing internal control evaluation reports.

## Corporate Governance Report

The risk management and internal control system of the Bank is designed to manage rather than eliminate the risk of failure to meet business objectives. During the Reporting Period, the Bank has maintained a generally adequate and effective internal control system and a controllable risk profile. Due to its inherent limitations, the internal control can only provide reasonable rather than absolute assurance for achieving the above objectives. In addition, since changes may result in inappropriate internal control or lower compliance with the control policies and procedures, it is risky to predict, to a certain extent, the effectiveness of future internal control based on current evaluation results of internal control.

### (IV) Procedures Used to Review the Effectiveness of the Risk Management and Internal Control and to Resolve Material Internal Control Defects

All departments of the Bank have established a series of systems which set out business-specific risk management policies and procedures to reasonably identify the risk control point for each business and management activity, take control measures and implement standardized and united business and management procedures to ensure a standard operation. No such business should be conducted if there are no relevant systems. The Bank includes the overall risk management into the internal audit, and the Internal Audit Department is responsible for reviewing and evaluating the sufficiency and effectiveness of the overall risk management on a regular basis. We have established an overall risk management system with comprehensive risk coverage and committed ourselves to its continuous upgrade and optimization.

The internal control is conducted across the daily operation and management activities by the Bank. Each business management department conducts routine monitoring, inspection and supervision on key risk points and key procedures at fixed intervals. The Internal Audit Department formulates the audit plans and conducts supervision and audits on key risk points and key procedures. Our Internal Control and Compliance Department takes the lead in organizing all departments to conduct an overall evaluation once a year based on the internal and external inspection and supervision and formulate an annual self-evaluation report of internal control. The Bank will continue to improve its internal control system, reinforce the implementation of the internal control system, optimize the evaluation methods of internal control and strengthen the supervision and inspection on internal control to facilitate the healthy and sustainable development of the Bank in line with its development strategies and changes in business procedures.

### (V) Procedures and Internal Control Measures for Handling and Releasing Inside Information

The Bank handles and releases inside information in accordance with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission in June 2012 to ensure the inside information remains confidential until the disclosure of such information is appropriately approved, and the release of such information is efficiently and consistently made. The Bank reminds its Directors and employees to properly comply with all policies in relation to inside information on a regular basis, distributes the Notice on Regulating the Disclosure of Inside Information of the Bank to all the employees, and imposes strict regulatory requirements on disclosure of inside information. Furthermore, the Bank will inform its Directors, senior management and employees of the latest regulatory developments, and prepare or update relevant policies and guidelines to ensure compliance with regulatory requirements.

The Bank is aware of its responsibilities under the SFO and the Listing Rules and the overriding principle that the information shall be published as soon as practicable if it is determined to be inside information, and that it shall handle such information with close regard to the applicable laws and regulations.

## Corporate Governance Report

### **XIII. SHAREHOLDERS' RIGHTS**

#### **(I) Convening of Extraordinary General Meetings**

According to the Articles of Association, Shareholders have the following rights:

The Board of Directors shall convene Shareholders' general meetings as required by laws and regulations, the Articles of Association and the terms of reference of the Shareholders' general meeting. Where the Board of Directors is incapable of performing or is not performing its duties to convene the general meeting, the Board of Supervisors shall convene such meeting in a timely manner; if the Board of Supervisors fails to convene such meeting, Shareholders individually or in aggregate holding 10% or more of the Bank's Shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

Above half of the independent non-executive Directors are entitled to propose to the Board for convening of extraordinary general meetings. For the proposal of convening extraordinary general meetings by such independent non-executive Directors, the Board shall provide feedback in a written form of agreeing or disagreeing the convening of extraordinary general meetings within 10 days upon receipt of the proposal in accordance with laws, administrative regulations and the Articles of Association. If the Board agrees to convene extraordinary general meetings, a notice of convening a general meeting shall be given within 5 days upon resolution of the Board; if the Board disagrees with convening extraordinary general meetings, an explanation of the reasons shall be provided.

#### **(II) Proposals to Shareholders' General Meetings**

When the Bank is to convene a Shareholders' General Meeting, the Board and the Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the Bank's Shares are entitled to submit proposals in writing to the Bank. The Bank should include matters in the proposals which fall within the terms of reference of Shareholders' General Meeting into the meeting agenda.

Shareholders who individually or jointly hold more than 3% of the Bank's Shares may submit a temporary proposal in writing 10 days before the Shareholders' General Meeting to the convener. The convener should dispatch a supplementary notice of Shareholders' General Meeting announcing the contents of the temporary proposal within two days after receiving such temporary proposal. If listing rules of the stock exchange where the Bank's securities are listed provide otherwise, such provisions shall also be followed.

Besides circumstances provided by the preceding paragraph, the convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the General Meeting. The General Meeting shall not vote and adopt a resolution on any proposal that is not listed in the notice of the Shareholders' General Meeting or that is inconsistent with Article 80 of the Articles of Association.

## Corporate Governance Report

### (III) Enquires from Shareholders

If the Shareholders have any enquiries on matters relating to the H Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel.: +852-2862-8555

Fax: +852-2865-0990/2529-6087

If the Shareholders have any enquiries on matters relating to the Domestic Shares held, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

The Bank's Office of the Board of Directors

Building 1, No. 18 Section 3 Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC

Tel.: +86-830-2362606

Fax: +86-830-3100625

Post code: 646000

### (IV) Management of Investor Relations

Shareholders and investors may send enquiries to the Board to the Bank's office of the Board of Directors.

Address: Building 1, No. 18 Section 3 Jiucheng Avenue, Jiangyang District, Luzhou, Sichuan Province, the PRC

Tel.: +86-830-2362606

Fax: +86-830-3100625

E-mail: ir@lzccb.cn

### (V) Information Disclosure

The Bank attaches great importance to communication with Shareholders and enhances understanding and communication among Shareholders through various channels such as general meetings, results announcements, roadshows, visitors' reception, and telephone consultation.

# Corporate Governance Report

## XIV. REMUNERATION MANAGEMENT

### (I) Remuneration System

In 2021, with the aim to refine and improve the incentive and restraint mechanism, help employees grow and make progress, increase corporate efficiency and promote its high-quality development, the Bank further improved the market-oriented performance appraisal mechanism based on post salaries and performance-based remuneration. Based on the dual-channel career development system for its employees, the Bank established dual channels for remuneration promotion of employees, expanded the space for remuneration promotion of professional sequence employees, and built a remuneration exchange link between management sequence and professional sequence. Following the principle of “paying for post, ability and performance”, the Bank’s post salary is tightly coupled with post value and personal ability, and performance-related pay is closely linked to value creation, contribution and performance, which not only inspires employees to take initiatives to grow and actively improve their ability, but also mobilizes employees’ working enthusiasm and creativity and enhances the overall efficiency of the enterprise. The Bank paid “Five Social Insurances and One Housing Fund (五險一金)” for employees in accordance with the relevant laws. In addition, the Bank purchased supplementary medical insurance for its employees, and established enterprise annuity plan to provide employees with a relatively complete security system which has effectively improved employees’ sense of belonging and strengthened corporate cohesion. At the same time, the Bank established a mechanism for deferral payment and clawback of performance-related remuneration in accordance with regulatory requirements and business and management needs to promote sound operation and sustainable development of the Bank.

### (II) Information on Remuneration Paid to Directors, Supervisors and Senior Management

Please refer to Note 11 to the financial statements of this annual report for the total amount of the remuneration of Directors and Supervisors during the Reporting Period. For the year ended December 31, 2021, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

Remuneration paid to the senior management<sup>(1)</sup> (excluding the Directors and Supervisors) by bands for the year ended December 31, 2021 is set out below<sup>(2)</sup>:

	Number of employees	% of total
0 to RMB1,500,000	7	70%
Over RMB1,500,000	3	30%

Notes:

- (1) In 2021, two of the Bank’s senior management members were concurrently the Directors, namely Mr. XU Xianzhong and Mr. LIU Shirong, respectively. Among them, Mr. XU Xianzhong resigned as the executive Director, President of the Bank and a member of the consumer rights protection committee for personal reasons on June 7, 2021. For details of the remuneration of Mr. XU Xianzhong and Mr. LIU Shirong, please refer to Note 11 of the financial statements of this annual report.
- (2) In accordance with regulations authorised by relevant authorities in the PRC, the compensation package for certain senior management personnel for 2021 has not been finalized, and the disclosed amount is just the amount paid in current period, including the remuneration of the previous year deferred to the current year.



# Corporate Governance Report

## XV. DIVIDEND POLICY

The Bank may distribute dividends in the following forms:

- (1) cash;
- (2) stocks.

Any amount paid for any paid-up Shares prior to a capital call is entitled to interest, but holder of the Shares is not entitled to the dividend subsequently declared in respect of prepayments of Shares. In accordance with relevant laws, regulations, departmental rules, normative documents and the relevant regulations of the securities regulatory authority in the place where the Bank's securities are listed, the Bank may exercise the right to confiscate unclaimed dividends only after the applicable time limit has expired.

The Bank shall have the right to cease delivering dividend notice to the Shareholders of H Shares by mail, but such right can only be exercised after the dividend notice has not been drawn twice consecutively. If a dividend notice fails to reach the expected recipient in the initial mail delivery and is returned, the Bank may exercise the right promptly. The Bank shall have the right to sell the shares of the unreachable Shareholders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

- (i) the Bank has distributed dividends on such shares at least 3 times in a period of 12 years and the dividends are not claimed by anyone during that period;
- (ii) after the expiration of a period of 12 years, the Bank makes a public announcement in one or more newspaper at the place where the Bank's securities are listed, stating its intention to sell such shares and notifies the Hong Kong Stock Exchange of such intention.

Our Bank shall appoint for Shareholders of overseas listed shares a recipient agent. The recipient agent shall collect on behalf of the Shareholders concerned the dividends distributed and other funds payable by the Bank in respect of the overseas listed shares.

The recipient agent appointed by the Bank shall comply with the laws of the locality in which the Bank's shares are listed or the relevant requirements of the stock exchange where the Bank's shares are listed. The recipient agent appointed by the Bank for Shareholders of H Shares shall be a company which is registered as a trust company under the Trustee Ordinance of Hong Kong.

The profit distribution policy of the Bank shall be focused on generating reasonable investment returns to investors and be favorable for the Bank's long-term development. The profits of the Bank may be distributed in the form of bonus share and cash dividend, etc., and the cumulative distribution amount in any three consecutive years shall not be less than 20% of the annual average distributable profits realized in the said three years.

## Corporate Governance Report

### **XVI. TAX ON DIVIDENDS OF ORDINARY SHARES**

(i) For holders of domestic Shares

Our corporate holders of domestic Shares shall handle their income tax by themselves. Pursuant to the relevant provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), our Bank shall withhold and pay an individual income tax at a rate of 20% for natural person shareholders of domestic shares of the Bank.

(ii) For holders of H Shares

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the relevant implementation regulations effective on January 1, 2008, our Bank shall withhold and pay an enterprise income tax at a rate of 10% for H-share holders which are non-resident enterprises.

Pursuant to the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, as for the income from dividends and bonuses obtained by foreign resident individual shareholders from the shares issued in Hong Kong by domestic non-foreign invested enterprises, the individual income tax shall be withheld by withholding agents according to laws. Where a domestic non-foreign invested enterprise issues shares in Hong Kong, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and China as well as the provisions of tax arrangements between Mainland China and Hong Kong (Macao). In accordance with the above tax regulations, we generally withhold individual income tax on dividends at a rate of 10% for the individual holders of H Shares, unless otherwise provided in the relevant tax regulations and tax treaties where the Bank shall go through the specific procedures under taxation and administration requirements of tax authorities.

# Directors' Report

The Board hereby presents the Directors' report and audited financial statements of the Bank for the year ended December 31, 2021.

## I. BUSINESS REVIEW

### (I) Business Review

We are the only city commercial bank headquartered in Luzhou. We offer various banking services and relevant financial services. Our principal business lines include corporate banking, retail banking and financial markets. The information on business review of the Bank for the year ended December 31, 2021 is set out in "Management Discussion and Analysis" of this annual report.

### (II) Relationship with Employees, Supplier and Customers

For further information of the employees and employment policies of the Bank, please refer to the sections headed "Directors, Supervisors, Senior Management and Employees" and "Corporate Governance Report" above as well as the 2021 Environmental, Social and Governance Report published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due course.

The Bank attaches importance to the selection of suppliers, encourages fair and open competition, and establishes good cooperative relations with quality suppliers based on the principle of mutual trust. Adhering to the principle of honesty and trustworthiness, we are committed to providing quality financial services to our customers and creating a reliable service environment for them.

### (III) Environmental Policy and Performance

For information of the environmental policies and performance of the Bank during the Reporting Period, please refer to the 2021 Environmental, Social and Governance Report published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due course.

### (IV) Permitted Indemnity Provisions

Pursuant to Article A.1.8 of the Code provisions, the Bank should purchase appropriate insurance covering potential legal proceedings against the Directors of the Bank. To comply with the Code provisions, the Bank had purchased appropriate liability insurance for the Directors to provide indemnity for the liabilities incurred in the corporate activities for the year ended December 31, 2021.

### (V) Equity-linked Agreements

During the year ended December 31, 2021, the Bank did not enter into any equity-linked agreements.

### (VI) Bonds issuance

In addition to stabilizing long-term liabilities and enhancing liquidity control capabilities through the issuance of interbank certificates of deposit, the Bank issued RMB2 billion of small micro enterprise loan special financial bonds in order to improve the asset-liability structure, implement national policies, and enhance the ability to serve the real economy and small and micro enterprises. Details of the Bank's bonds issuance are set out in note 28 to the financial statements of this annual report.

## Directors' Report

### II. H SHARES CAPITALIZATION ISSUE

During the year ended December 31, 2021, according to the 2020 equity distribution plan of the Bank, based on the total share capital of 2,264,793,385 shares on the record date of September 20, 2021, 2 new shares are for every 10 existing shares. On October 11, 2021, the Bank issued new shares by way of capitalization of capital reserve to all Shareholders whose name on the register of members of the Bank on the equity registration date, which will be 452,958,677 new shares in total, including 327,438,677 new domestic shares to be issued to domestic shareholders and 125,520,000 new H Shares to be issued to H Shareholders.

### III. PROFITS AND DIVIDENDS

#### Dividends

Our revenue for the year ended December 31, 2021 and our financial position on the same date are set out in the “Statement of Comprehensive Income” and “Statement of Financial Position” in the report.

The Board resolved not to propose the distribution of final dividends for the year ended December 31, 2021.

The cash dividends of ordinary shares in the past three years are as follows:

Item	2018	2019	2020
Cash dividend (tax inclusive, in millions of RMB)	339.72	294.42	–
Proportion of annual profit (%)	51.60	46.45	–

### IV. RESERVE

Details of changes in the Bank's reserves available for distribution to Shareholders for the year ended December 31, 2021 are set out in the Statement of Changes in Equity. Calculated in accordance with the provisions of the Listing Rules, the Bank's reserves available for distribution to Shareholders are RMB1,171 million.

### V. SUMMARY OF FINANCIAL INFORMATION

A summary of the Bank's operating results, assets and liabilities for the entire year ended December 31, 2021 is set out in the Accounting Data and Financial Indicators Summary of this annual report.

### VI. DONATION

The Bank's charitable and other donations totalled RMB15.5995 million for the year ended December 31, 2021.

### VII. PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Bank for the year ended December 31, 2021 are set out in note 25 to the financial statements of this annual report.

### VIII. RETIREMENT BENEFITS

Details of the retirement benefits provided to employees by the Bank are set out in note 10 to the financial statements of this annual report under Operating Expenses.

## Directors' Report

### IX. PRE-EMPTIVE RIGHTS

The Articles of Association and relevant PRC laws did not grant the Shareholders of the Bank the terms of pre-emptive rights. The Articles of Association provide that based on the requirements for operation and development and in accordance with laws and regulations and the Articles of Association, after the Shareholders' general meeting has made its resolution and the approval has been obtained from the banking regulatory authorities of the State Council, the Bank may increase its registered capital in the following ways: offering new shares to non-specific investors; issuing new shares to specific subscribers; distributing new shares to existing shareholders; converting capital surplus into share capital; or any other methods approved by the laws, administrative regulations and relevant regulatory authorities.

### X. MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The five largest depositors and the five largest borrowers of the Bank accounted for less than 30% of total deposits and total loans and advances. None of the Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares had any interest in the said top five largest customers.

### XI. SHARE CAPITAL

Details of the movement in share capital of the Bank during the Reporting Period are set out in note 30 Share Capital and Capital Surplus to the financial statements of this annual report.

### XII. TOP TEN HOLDERS OF DOMESTIC SHARES AND SHAREHOLDINGS

The top ten holders of Domestic Shares of the Bank and their shareholdings as at the end of 2021 are set out in Changes in Share Capital and Information on Shareholders of this annual report.

### XIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the list of the members of the Board of Directors, their biographies and changes as at the end of the Reporting Period are set out in the section headed Directors, Supervisors, Senior Management and Employees of this annual report. Such section also forms an integral part of the Directors' Report.

### XIV. CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS FOR THEIR INDEPENDENCE

The Bank has received from each of its independent non-executive Directors the annual confirmation of his/her independence. The Bank considers that all independent non-executive Directors are in compliance with the relevant guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are accordingly independent.

### XV. FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship (including financial, business, family or other material relationship) between the Directors, Supervisors and senior management of the Bank.

## Directors' Report

### **XVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBT SECURITIES**

At no time during the Reporting Period was the Bank a party to any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debt securities of, the Bank or any other body corporate.

### **XVII. SIGNIFICANT INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS**

Save as disclosed in the section “Connected Transactions” below, the Bank did not enter into any significant transaction, arrangement or contract where Directors and/or Supervisors (or connected entity of Directors and/or Supervisors) directly or indirectly held significant interests for the year ended December 31, 2021.

### **XVIII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS**

The Bank has entered into a service contract with each of its Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, obedience of the Articles of Association and provisions on arbitration. During the Reporting Period, none of the Directors or Supervisors have entered into a service contract with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

### **XIX. MANAGEMENT CONTRACT**

For the year ended December 31, 2021, there was no management and administrative contract in respect of all or any of the material activities being entered into by or existed in the Bank (other than service contracts entered into with Directors, Supervisors and senior management of the Bank).

### **XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN THE BUSINESS WHICH COMPETES WITH THE BANK**

Mr. XIONG Guoming, a non-executive Director of our Bank, was also a non-executive director of Luzhou Rural Commercial Bank Co., Ltd. (瀘州農村商業銀行股份有限公司) (“Luzhou Rural Commercial Bank”). As a non-executive director of Luzhou Rural Commercial Bank, Mr. XIONG Guoming is primarily responsible for participating in making decisions and giving advice on the corporate governance, compliance and risk management of Luzhou Rural Commercial Bank and is not involved in its daily operation and management. Accordingly, the Directors consider that the directorship of Mr. Xiong in Luzhou Rural Commercial Bank does not and is unlikely to give rise to significant competition or conflict of interest between Mr. Xiong and our Bank.

Save as disclosed herein, none of our Directors are interested in any business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business which requires to be disclosed under Rule 8.10(2) of the Listing Rules.

## Directors' Report

### XXI. CONNECTED TRANSACTIONS

#### Acquisition of properties from Suining Jiale under the Property Purchase Agreement

On June 15, 2021, the Bank entered into the Property Purchase Agreement (the "Property Purchase Agreement") with Suining Jiale Yijia Industrial Development Co., Ltd. ("Suining Jiale") as the bid winner under a public tender, pursuant to which, subject to the terms and conditions set out in the Property Purchase Agreement, the Bank agreed to purchase and Suining Jiale agreed to sell the portion of the 1st floor, the 2nd floor and portion of the 3rd floor, Unit C1-3-05-D, Suining Financial Center and 40 underground garages at Wucaibinfen Road, Hedong New District, Suining for a consideration of RMB51,168,114. The Property is intended to be used by the Bank for the establishment of its Suining branch, which includes business premises and underground garages.

As defined under Chapter 14A of the Listing Rules, as at the date of the Property Purchase Agreement, Mr. XIONG Guoming is also a connected person of the Bank by virtue of his position as a Director of the Bank. Suining Jiale, being the company in which Mr. XIONG Guoming indirectly holds 30% or more interest, is a connected person of the Bank by virtue of it being an associate of Mr. XIONG Guoming as defined under Chapter 14A of the Listing Rules; therefore, the entering into of the Property Purchase Agreement and the transaction thereunder constitute connected transactions of the Bank.

The Directors (including independent non-executive Directors), having made all reasonable and due inquiries, are of the view that the Property Purchase Agreement and the transaction contemplated thereunder are fair and reasonable and conducted on normal commercial terms. Although the Acquisition is not conducted in the ordinary and usual course of business of the Bank, it is in the interests of the Bank and its Shareholders as a whole.

The transactions entered into among the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, during the Reporting Period, connected transactions of the Bank are subject to exemption from compliance with the requirements regarding reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all connected transactions and confirmed that such transactions were in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under IAS 24, Related Party Disclosures, and its interpretations by the IASB. Certain related party transactions set out in note 39 to the financial statements simultaneously constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, while none of them constitute connected transactions that are not fully exempt under the Hong Kong Listing Rules.

During the Reporting Period, save as disclosed above, all of the connected transactions of the Bank were entered into in the ordinary course of business and on normal commercial terms.

## Directors' Report

### XXII. REMUNERATION POLICIES

In 2021, with the aim to refine and improve the incentive and restraint mechanism, help employees grow and make progress, increase corporate efficiency and promote its high-quality development, the Bank further improved the market-oriented performance appraisal mechanism based on post salaries and performance-based remuneration. Based on the dual-channel career development system for its employees, the Bank established dual channels for remuneration promotion of employees, expanded the space for remuneration promotion of professional sequence employees, and built a remuneration exchange link between management sequence and professional sequence. Following the principle of “paying for post, ability and performance”, the Bank’s post salary is tightly coupled with post value and personal ability, and performance-related pay is closely linked to value creation, contribution and performance, which not only inspires employees to take initiatives to grow and actively improve their ability, but also mobilizes employees’ working enthusiasm and creativity and enhances the overall efficiency of the enterprise. The Bank paid “Five Social Insurances and One Housing Fund (五險一金)” for employees in accordance with the relevant laws. In addition, the Bank purchased supplementary medical insurance for its employees, and established enterprise annuity plan to provide employees with a relatively complete security system which has effectively improved employees’ sense of belonging and strengthened corporate cohesion. At the same time, the Bank established a mechanism for deferral payment and clawback of performance-related remuneration in accordance with regulatory requirements and business and management needs to promote sound operation and sustainable development of the Bank.

The Bank provided remuneration in the form of salaries, social security, housing funds, enterprise annuity and other benefits to executive directors, supervisors and senior management members who are also employees of the Bank. Independent non-executive directors and external supervisors of the Bank received fixed remuneration.

### XXIII. PUBLIC FLOAT

Based on information that is publicly available to the Bank and to the knowledge of the Directors, as at the date of this report, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange.

### XXIV. AUDITORS

The Bank re-appointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the auditor of the Bank’s 2021 financial statements prepared in accordance with China Accounting Standards for Business Enterprises and PricewaterhouseCoopers as the auditor of the Bank’s 2021 financial statements prepared in accordance with International Financial Reporting Standards. The Bank has not changed its auditors in the past three years.

The Bank’s financial report for the year 2021 prepared in accordance with International Financial Reporting Standards had been audited by PricewaterhouseCoopers, who had issued an audit report with unqualified opinions.

### XXV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2021, the Bank complied with the “comply or explain” provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the 2021 Environmental, Social and Governance Report of the Bank to be published in accordance with the Hong Kong Listing Rules.



## Directors' Report

### XXVI. MAJOR RISKS AND UNCERTAINTIES

The major risks and uncertainties the Bank is exposed to include: major risks relating to our operations include credit risks, market risks, liquidity risks and operational risks. The Bank is also exposed to information technology risks, reputational risks and legal and compliance risks. We are unable to predict all the risks and uncertainties that we are exposed to as a result of the current economic, political, social and regulatory developments, and many of these risks are beyond our control. All these factors may adversely affect our business, financial condition and results of operations. Please see the sections headed “Management Discussion and Analysis – Risk Management” and “Corporate Governance Report – Risk Management, Internal Control and Inside Information Management” of this annual report.

### XXVII. FUTURE DEVELOPMENT OF BUSINESS

Please refer to the section headed “Management Discussion and Analysis – Environment and Prospect” and “Management Discussion and Analysis – Development Strategies” of this annual report for further details.

### XXVIII. MATERIAL INVESTMENT OR ASSETS ACQUISITION PLAN

During the Reporting Period, the Bank had no plan for material investment or assets acquisition.

### XXIX. KEY FINANCIAL PERFORMANCE INDICATORS

As of December 31, 2021, as indicated in the information prepared according to IFRS, the total assets of the Bank amounted to RMB134,510 million, representing a year-on-year increase of 13.14%; the total customer loans amounted to RMB74,873 million, representing a year-on-year increase of 25.58%; the NPL ratio was 1.42%; the total customer deposits amounted to RMB94,769 million, representing a year-on-year increase of 11.20%; the operating income of the Bank amounted to RMB3,776 million, representing a year-on-year increase of 19.70%; the net profit of the Bank amounted to RMB734 million, representing a year-on-year increase of 27.46%. As of December 31, 2021, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio of the Bank were 13.36%, 9.75% and 8.05%, respectively.

### XXX. COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2021, to the best knowledge of the Board, the Bank has complied with applicable laws and regulations in all material respects which could materially affect the Bank.

### XXXI. SUBSEQUENT EVENTS

The Bank had no other significant event subsequent to the Reporting Period.

By order of the Board  
**YOU Jiang**  
Chairman

# Report of the Board of Supervisors

## I. BASIC INFORMATION OF THE BOARD OF SUPERVISORS

As of December 31, 2021, the Bank had 5 Supervisors in total, including 2 employee representative Supervisors, 1 shareholder representative Supervisor and 2 external Supervisors. Each of the nomination committee and audit and supervision committee of the Board of Supervisors consists of 3 members, with Mr. DUAN Xuebin and Mr. GUO Bing being the chairperson, respectively.

Enhancement of self-construction: 5 Supervisors thoroughly studied new regulatory policies and documents to lay a good foundation for better supervision and performance of duties.

Changes in personnel: Ms. YUAN Shihong (Ms. Yuan) resigned from her positions as the Supervisor, the chairwoman of the Board of Supervisors, a member of the nomination committee of the Board of Supervisors and a member of the audit and supervision committee of the Board of Supervisors of the Bank on January 10, 2022 due to the internal work rearrangement. Prior to the official appointment of new chairman for the Board of Supervisors of the Bank, CHEN Yong, being the Supervisor, will perform the duties.

During the Reporting Period, all members of the Board of Supervisors were able to diligently perform their duties, actively participate in meetings, carefully consider the resolutions, conduct in-depth investigations and research, regularly study regulatory policies, and continuously improve their ability to perform duties.

## II. MEETINGS OF THE BOARD OF SUPERVISORS

Meetings of the Board of Supervisors: During the Reporting Period, the Board of Supervisors has convened 7 meetings of the Board of Supervisors in total, considered and approved 34 resolutions including our operation plans, financial budget and final accounts, fixed assets investment plans, profit distribution, performance evaluation of Directors, Supervisors and senior management, etc.

Meetings of the committees: During the Reporting Period, the Nomination Committee of the Board of Supervisors convened 1 meeting in total and considered 2 resolutions primarily in relation to the performance evaluation report of Directors, Supervisors and senior management in 2020, and the remuneration assessment measures of the management personnel.

During the Reporting Period, the Audit and Supervision Committee of the Board of Supervisors held 5 meetings and considered 6 resolutions primarily in relation to the 2021 audit work plan, 2021 work plan of the Board of Supervisors, capital management plan (2021-2023), special inspection work plan for comprehensive risk management, special inspection work plan for information technology risk management and the internal audit charter of Luzhou Bank Co., Ltd. (2021 revision).

The list of Supervisors of the Bank during the Reporting Period and as of the date of this annual report and the attendance of Supervisors during their respective tenure in office during the Reporting Period are as follows:

Attendance in person/Attendance by proxy/Number of meetings held during the tenure in office

Supervisors	Board of Supervisors	Nomination Committee	Audit and Supervision Committee
YUAN Shihong	7/0/7	1/0/1	5/0/5
DUAN Xuebin	7/0/7	1/0/1	–
GUO Bing	7/0/7	–	5/0/5
LIU Yongli	6/1/7	–	5/0/5
CHEN Yong	6/1/7	1/0/1	–

## Report of the Board of Supervisors

### III. MAJOR WORK

During the Reporting Period, in accordance with the relevant laws, regulations and regulatory requirements of the PRC and the requirements of Articles of Association of the Bank, the Board of Supervisors continued to carry out in-depth supervision based on the strategic objectives and core missions of the Bank.

**Performance supervision:** The Board of Supervisors conducted final evaluation of the 13th Five-Year Plan and performance of duties and departure audits on senior management as well as supervision and evaluation on the performance of duties of Directors, Supervisors and senior management. The Board of Supervisors also supervised the performance of duties of senior management by listening to the operation, risk analysis, evaluation of internal capital adequacy ratio and other work reports of the Bank.

**Risk management supervision:** The Board of Supervisors enhanced the supervision of comprehensive risk management by conducting daily meeting supervision and special inspections. The Board of Supervisors conducted special inspections of comprehensive risk management, and made recommendation in respect of comprehensive risk management system, mechanism construction, operational risk management, credit system construction and information technology system construction in the form of communication letters. The Board of Supervisors also delegated representatives to attend important meetings of senior management such as independent review meeting, risk management meeting and centralized procurement management committee, and made supervision recommendations on risk management.

**Information technology risk supervision:** The Board of Supervisors conducted special inspections of information technology risk management, and made recommendation in respect of information technology system construction, information technology project management mechanism, information technology outsourcing risk management and information security management in the form of reminder letters.

**Internal control supervision:** The Board of Supervisors convened the joint meeting of the chairperson of the Board of Supervisors to listen to the internal control and management measures of relevant departments on a quarterly basis and made recommendations on continuously strengthening quality and efficiency of internal control and management.

## Report of the Board of Supervisors

### **IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS**

**Legal operation:** During the Reporting Period, the Bank operated with standardized management in accordance with the laws, and the decision-making procedures of the Bank were legal and valid. The Board of Supervisors was not aware of any performance of the Directors or senior management members of the Bank that was in breach of the laws, regulations and the Articles of Association of the Bank or jeopardized the interest of the Bank and its Shareholders.

**Preparation of annual report:** The procedures of preparation and audit of this annual report are in compliance with laws, regulations and regulatory requirements, and this annual report gives a true, accurate and complete view of the financial positions and operating results of the Bank.

**Related party transactions:** During the Reporting Period, the Bank entered into related party transactions in accordance with the laws and regulations of the PRC and the relevant requirements of Articles of Association of the Bank, and was not aware of any activities that were in breach of the principles of honesty and fairness or jeopardized the interest of the Bank and its shareholders.

**Implementation of resolutions passed at the Shareholders' general meeting(s):** The Board of Supervisors lodged no objections to the reports and proposals submitted by the Board of Directors to the Shareholders' general meeting(s) during the Reporting Period and conducted supervision on the implementation of resolutions passed at the Shareholders' general meeting(s), and concluded that the Board of Directors had duly implemented the relevant resolutions passed at the Shareholders' general meeting(s).

**Internal control and risk management:** During the Reporting Period, the Bank established a comprehensive risk management system in strict accordance with the regulatory requirements, continued to strengthen and improve the construction of internal control system, and was not aware of any material defects in respect of the completeness and rationality of the risk management and internal control mechanism and system of the Bank.

# Important Events

## IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

The Bank did not declare any interim dividend for 2021.

## MATERIAL LITIGATIONS AND ARBITRATIONS

During the Reporting Period, there were no litigations or arbitrations which had a material impact on the operation activities of the Bank.

## PENALTIES IMPOSED ON THE BANK AND DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the Bank and all its Directors, Supervisors and senior management had no record of being subject to inspections, administrative penalties and circulating criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by other regulatory bodies that posed significant impact on the Bank's operation.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, the Bank had no material contracts or their performance.

## MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Bank had no material acquisition and disposal of assets or merger of enterprises.

## MAJOR CAPITAL OPERATION

During the Reporting Period, the Bank had no major capital operation.

## ANNUAL RESULTS

The annual financial statements of the Bank for the year ended December 31, 2021, which were prepared in accordance with IFRSs promulgated by IASB, have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

The Board of Directors and its audit committee have reviewed and approved the annual results of the Bank.

# Independent Auditor's Report

## To the Shareholders of Luzhou Bank Co., Ltd.

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

## OPINION

### What we have audited

The financial statements of Luzhou Bank Co., Ltd. (the "Bank"), which are set out on pages 130 to 252, comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

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

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

### Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to the measurement of expected credit losses for customer loans, credit related financial assets and financial investments measured at amortised cost.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Measurement of expected credit losses (“ECL”) for customer loans, credit related financial assets and financial investments measured at amortised cost</i></b></p>	<p>We obtained an understanding of the management’s internal control and assessment process of the measurement of expected credit losses for customer loans, credit related financial assets and financial investments measured at amortised cost, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.</p> <p>We evaluated and tested the design and operating effectiveness of the internal controls relating to the measurement of expected credit losses for customer loans, credit related financial assets and financial investments measured at amortised cost, primarily including:</p> <ol style="list-style-type: none"> <li>(1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models;</li> <li>(2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, or of defaults or credit-impaired, and review and approval of forward-looking adjustments;</li> <li>(3) Internal controls over the accuracy and completeness of key inputs used by the models;</li> <li>(4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments measured at amortised cost in stage 3;</li> <li>(5) Internal controls over the information systems and data processing in relation to ECL measurement.</li> </ol>
<p>Refer to Notes 2.3, Note 3.1.4, Note 17, Note 18 and Note 21 to the financial statements.</p>	
<p>As at 31 December 2021, the Bank’s gross customer loans amounted to RMB74,873 million, and a loss allowance of RMB2,637 million was recognised in the Bank’s statement of financial position; credit related financial assets amounted to RMB3,328 million, for which a provision of RMB237 million was recognised; financial investments measured at amortised cost amounted to RMB16,999 million, for which a provision of RMB629 million was recognised. The impairment losses on customer loans, credit related financial assets and financial investments measured at amortised cost recognised in the Bank’s income statement for the year ended 31 December 2021 amounted to RMB1,231 million.</p>	
<p>The loss allowances for loans and advances to customers represent the management’s best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses (“ECL”) models.</p>	

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Measurement of expected credit losses (“ECL”) for customer loans, credit related financial assets and financial investments measured at amortised cost</i></b> (continued)</p>	
<p>The Bank assesses whether the credit risk of customer loans, credit related financial assets and financial investments measured at amortised cost have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments measured at amortised cost classified into stages 1 and 2, all personal loans and credit related financial assets, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments measured at amortised cost in stage 3, management assesses loss allowance by estimating the discounted cash flows from the corporate loans and financial investments measured at amortised cost.</p>	<p>We analyzed the risk characteristics of assets portfolios and assessed the reasonableness of the portfolio segmentation.</p>
<p>The models of ECL involves significant management judgments and assumptions, primarily including:</p>	<p>We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also evaluated management’s back-testing of the actual defaults against the expected defaults generated from the model as at the end of previous period, together with their updates to the model based on the result of their back-testing. We evaluated the reasonableness of loss given default by analysing the Bank’s historical loss experiences taking into consideration the forward-looking factors.</p>
<ol style="list-style-type: none"> <li>(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;</li> <li>(2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;</li> <li>(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;</li> <li>(4) The estimated future cash flows for loans and advances to customers and financial investments at amortised cost in stage 3.</li> </ol>	<p>We examined data inputs to the ECL models such as credit exposures and maturity dates for selected samples, including the historical data and the data at the measurement date, by checking against supporting documents such as loan contracts and borrowers’ basic information.</p> <p>We assessed the appropriateness of management’s criteria of the three stages classification of loan to customers, taking into consideration the Bank’s credit risk profile and risk management practices, and selected samples to test the management’s classification into the three stages by examining the financial and non-financial information of the borrowers, assessing the overdue status of loan to customers by comparing to maturity dates specified in loan contracts, and considering other relevant external evidences.</p>



## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Measurement of expected credit losses (“ECL”) for customer loans, credit related financial assets and financial investments measured at amortised cost</i></b> (continued)</p>	<p>The Bank established controls for the measurement of ECL.</p> <p>For measuring ECL, the Bank adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the customer loans, credit related financial assets and financial investments measured at amortised cost, the related loss allowance and provision involve significant amounts. In view of these reasons, we identified this as a key audit matter.</p> <p>For forward-looking measurements, we assessed management’s selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios by using statistical techniques. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis of economic scenarios and weightings.</p> <p>For customer loans and financial investments measured at amortised cost in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the Bank based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.</p> <p>Based on our procedures performed, we considered that the models, key parameters and data inputs, significant judgements and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.</p>

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor’s report thereon.

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

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

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

## Independent Auditor's Report

### **RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or have 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 the 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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 the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Kwok Wai, Jimmy.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 March 2022

# Statement of Comprehensive Income

2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Interest income		6,949,999	6,061,940
Interest expenses		(4,011,795)	(3,305,498)
<b>Net interest income</b>	5	<b>2,938,204</b>	2,756,442
Fee and commission income		67,030	11,246
Fee and commission expenses		(9,610)	(6,161)
<b>Net fee and commission income</b>	6	<b>57,420</b>	5,085
Net gains on trading activities	7	556,697	248,104
Net gains on financial investments	8	209,548	117,061
Other operating income	9	14,450	28,028
<b>Operating income</b>		<b>3,776,319</b>	3,154,720
Operating expenses	10	(1,507,790)	(1,176,666)
Expected credit losses	12	(1,332,180)	(1,239,879)
Other assets impairment losses	12	(5,792)	(2,362)
<b>Operating profit</b>		<b>930,557</b>	735,813
Share of profit of an associate	22	3,749	4,437
<b>Profit before income tax</b>		<b>934,306</b>	740,250
Income tax expense	13	(200,049)	(164,176)
<b>Net profit attributable to shareholders of the Bank</b>		<b>734,257</b>	576,074
<b>Other comprehensive income/(losses)</b>			
Items that may be reclassified subsequently to profit or loss:			
Fair value change of financial assets at fair value through other comprehensive income		(34,032)	(58,210)
Expected credit losses of financial assets at fair value through other comprehensive income		186,100	166,163
Less: Related income tax impact		(38,017)	(26,988)
<b>Subtotal</b>	37	<b>114,051</b>	80,965
<b>Total comprehensive income attributable to shareholders of the Bank</b>		<b>848,308</b>	657,039
<b>Earnings per share for profit attributable to shareholders of the Bank (expressed in RMB per share)</b>			
– basic and diluted	14	<b>0.24</b>	0.21

The accompanying notes form a part of these financial statements.

# Statement of Financial Position

2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December	
		2021	2020
<b>ASSETS</b>			
Cash and balances with central bank	15	<b>10,451,291</b>	10,490,071
Due from and placements with banks and other financial institutions	16	<b>7,452,012</b>	4,961,948
Customer loans	17	<b>72,236,192</b>	57,585,311
Financial investments – credit related financial assets	18	<b>3,091,019</b>	3,709,265
Financial investments – fair value through profit or loss	19	<b>9,911,333</b>	16,483,953
Financial investments – fair value through other comprehensive income	20	<b>12,834,915</b>	8,100,931
Financial investments – amortised cost	21	<b>16,370,149</b>	15,670,828
Investment in associates	22	<b>48,924</b>	45,175
Property, plant and equipment	23	<b>850,082</b>	804,894
Deferred income tax assets	24	<b>777,630</b>	628,037
Other assets	25	<b>486,581</b>	405,846
<b>Total assets</b>		<b>134,510,128</b>	118,886,259
<b>LIABILITIES</b>			
Borrowings from central bank		<b>3,557,331</b>	2,371,331
Due to and placements from banks and other financial institutions	26	<b>5,254,141</b>	4,830,366
Customer deposits	27	<b>94,768,521</b>	85,223,104
Debt securities issued	28	<b>20,141,958</b>	16,598,490
Current tax liabilities		<b>400,334</b>	324,365
Other liabilities	29	<b>685,686</b>	589,654
<b>Total liabilities</b>		<b>124,807,971</b>	109,937,310
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Bank</b>			
Share capital	30	<b>2,717,752</b>	2,264,793
Other equity instruments	31	<b>1,696,824</b>	1,696,824
Capital surplus	30	<b>1,786,355</b>	2,239,314
Other reserves	32	<b>2,329,815</b>	1,750,824
Retained earnings		<b>1,171,411</b>	997,194
<b>Total equity</b>		<b>9,702,157</b>	8,948,949
<b>Total liabilities and equity</b>		<b>134,510,128</b>	118,886,259

The accompanying notes form a part of these financial statements.

Chairman and Executive Director:  
**You Jiang**

Executive Director and President:  
**Liu Shirong**

# Statement of Changes in Equity

2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank								
	Share capital (Note 30)	Other equity instruments (Note 31)	Capital surplus (Note 30)	Other reserves			Subtotal	Retained earnings	Total
				Surplus reserve (Note 32)	General reserve (Note 32)	Revaluation reserve (Note 32)			
<b>Balance at 31 December 2020</b>	2,264,793	1,696,824	2,239,314	457,338	1,148,053	145,433	1,750,824	997,194	8,948,949
Net profit for the year	-	-	-	-	-	-	-	734,257	734,257
Other comprehensive income	-	-	-	-	-	114,051	114,051	-	114,051
<b>Total comprehensive income</b>	-	-	-	-	-	114,051	114,051	734,257	848,308
Capital contributions by other equity instruments holders (Note 31)	-	-	-	-	-	-	-	-	-
Transfer to surplus reserve	-	-	-	73,426	-	-	73,426	(73,426)	-
Transfer to general reserve	-	-	-	-	391,514	-	391,514	(391,514)	-
Cash dividends (Note 33)	-	-	-	-	-	-	-	-	-
Capital surplus transferred to share capital (Note 30)	452,959	-	(452,959)	-	-	-	-	-	-
Interest paid to other equity instruments holders (Note 14)	-	-	-	-	-	-	-	(95,100)	(95,100)
<b>Balance at 31 December 2021</b>	2,717,752	1,696,824	1,786,355	530,764	1,539,567	259,484	2,329,815	1,171,411	9,702,157

	Equity attributable to shareholders of the Bank								
	Share capital (Note 30)	Other equity instruments (Note 31)	Capital surplus (Note 30)	Other reserves			Subtotal	Retained earnings	Total
				Surplus reserve (Note 32)	General reserve (Note 32)	Revaluation reserve (Note 32)			
<b>Balance at 31 December 2019</b>	2,264,793	-	2,239,314	399,731	977,442	64,468	1,441,641	943,761	6,889,509
Net profit for the year	-	-	-	-	-	-	-	576,074	576,074
Changes recognised in other comprehensive income	-	-	-	-	-	80,965	80,965	-	80,965
<b>Total comprehensive income</b>	-	-	-	-	-	80,965	80,965	576,074	657,039
Capital contributions by other equity instruments holders (Note 31)	-	1,696,824	-	-	-	-	-	-	1,696,824
Transfer to surplus reserve	-	-	-	57,607	-	-	57,607	(57,607)	-
Transfer to general reserve	-	-	-	-	170,611	-	170,611	(170,611)	-
Cash dividends (Note 33)	-	-	-	-	-	-	-	(294,423)	(294,423)
<b>Balance at 31 December 2020</b>	2,264,793	1,696,824	2,239,314	457,338	1,148,053	145,433	1,750,824	997,194	8,948,949

# Statement of Cash Flows

2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Year ended 31 December		
	Note	2021	2020
<b>Cash flows from operating activities:</b>			
Profit before income tax		<b>934,306</b>	740,250
Adjustments:			
Depreciation and amortisation		<b>180,806</b>	176,133
Expected credit losses on customer loans		<b>1,029,131</b>	726,921
Expected credit losses on other assets		<b>308,841</b>	515,320
Net gains on disposal of long-term assets		<b>(1,195)</b>	(1,010)
Net gains arising from derecognition of financial investments		<b>(651,757)</b>	(418,726)
Changes in fair value of financial assets at fair value through profit or loss		<b>(114,488)</b>	53,561
Interest income from financial investments		<b>(1,880,679)</b>	(2,107,920)
Interest expenses on debt securities		<b>701,643</b>	667,554
Subtotal		<b>(427,698)</b>	(388,167)
Net increase in operating assets:			
Net decrease/(increase) in balances with central bank		<b>5,001</b>	(1,055,842)
Net increase in due from and placements with banks and other financial institutions		<b>(2,813,851)</b>	(1,390,073)
Net increase in customer loans		<b>(15,294,665)</b>	(14,775,053)
Net decrease/(increase) in other operating assets		<b>5,809,496</b>	(7,722,777)
Net increase in operating liabilities:			
Net increase in balances due to central bank		<b>1,184,430</b>	1,831,331
Net increase in due to and placements from banks and other financial institutions		<b>455,552</b>	857,030
Net increase in customer deposits		<b>9,121,775</b>	23,480,206
Net increase in other operating liabilities		<b>657,470</b>	492,685
Income tax paid		<b>(421,727)</b>	(319,828)
<b>Net cash (used in)/generated from operating activities</b>		<b>(789,911)</b>	1,749,762

## Statement of Cash Flows

2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Cash flows from investing activities:</b>			
Proceeds from disposal of property, plant and equipment, and other long-term assets		3,638	506
Purchase of property, plant and equipment, and other long-term assets		(241,754)	(280,200)
Interest income arising from financial investment securities		1,645,699	2,547,944
Purchase of investment securities		(50,664,103)	(39,465,528)
Proceeds from sale and redemption of financial investments		47,035,736	36,687,427
<b>Net cash used in investing activities</b>		<b>(2,220,784)</b>	<b>(509,851)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of debt securities		21,320,000	17,728,948
Repayment of debt securities upon maturity		(17,822,714)	(19,370,884)
Interest paid on debt securities		(701,643)	(667,554)
Cash payments for distribution of dividends		(95,199)	(258,003)
Repayment of principals and interests of lease liabilities		(28,342)	–
Proceeds from issuance of other equity instruments		–	1,696,824
<b>Net cash generated/(used in) from financing activities</b>		<b>2,672,102</b>	<b>(870,669)</b>
<b>Impact of exchange rate fluctuation on cash and cash equivalents</b>		<b>(19,169)</b>	<b>(54,354)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(357,762)</b>	<b>314,888</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,590,365</b>	<b>5,275,477</b>
<b>Cash and cash equivalents at the end of the year</b>	38	<b>5,232,603</b>	<b>5,590,365</b>



# NOTES TO THE FINANCIAL STATEMENTS

(All amounts expressed in thousands of RMB unless otherwise stated)

## 1 GENERAL INFORMATION

Luzhou Bank Co., Ltd. (the “Bank”), with the approval of the People’s Bank of China, was established on 15 September 1997 as a joint-stock commercial bank under the name of “Luzhou City United Bank” in accordance with the Company Law of China. The Bank was jointly sponsored by Luzhou Finance Bureau, the shareholders of eight urban credit cooperatives, two rural credit cooperatives and other new corporate shareholders.

On 8 May 1998, the Sichuan Branch of the People’s Bank of China approved the renaming of the Bank from “Luzhou City United Bank” to “Luzhou City Commercial Bank Co., Ltd.”. On 4 June 2019, in accordance with the approval of the Sichuan Supervisory Bureau of China Banking and Insurance Regulatory Commission (“CBIRC”) and the approval of Luzhou City Market Supervision and Administration Bureau, the Bank was formally renamed to “Luzhou Bank Co., Ltd.”. The Bank was listed on the main board of Stock Exchange of Hong Kong on 17 December 2018. As at 31 December 2021, the total issued share capital of the Bank is RMB2,717,752,062 with a par value of RMB1 per share.

The main lines of business of the Bank include corporate banking, retail banking and financial markets operations.

These financial statements were authorised for issue by the Board of Directors of the Bank on 29 March 2022.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently, unless otherwise stated.

### 2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Bank’s structured entities (Note 34) are the Bank’s only consolidated subsidiaries and are measured according to the accounting policies applicable to financial instruments, so there is no difference between the Bank’s consolidated financial statements and its standalone financial statements.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (a) The adoption of new and revised IFRS

The Bank has adopted the following new and amendments to the International Financial Reporting Standards (“IFRSs”):

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	COVID-19-related Rent Concessions

#### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Interest Rate Benchmark Reform – Phase 2”). The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial instruments (that is, financial instruments classified as amortised cost and debt instruments at FVOCI), lease receivables and lease liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendment provides a provisional exemption. When a company expects reasonably that the alternative benchmark interest rate will meet the separately identifiable requirements within 24 months from the date when it is designated as a non-contractually clear risk component, it shall be deemed to meet the separately identifiable requirements. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### (a) The adoption of new and revised IFRS (continued)

##### *Amendments to IFRS 16*

The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, and the changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The adoption of these standards and amendments does not have a material effect on the Bank's financial statements.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1 Basis of preparation (continued)

##### (b) New and revised IFRSs issued but not yet effective

		Effective for annual period commencing on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 17 and its amendments	Insurance Contracts	1 January 2023
Amendments to IAS 8	Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Bank's operating results, financial position or other comprehensive income.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Associates

Associates are entities over which the Bank has significant influence. Significant influence refers to the power to participate in the decision-making of the financial and operating policies of the invested enterprise, but cannot control or jointly control the formulation of these policies with other parties.

Investments in associates are accounted for using the equity method of the accounting and are initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Bank assesses at each financial reporting date whether there is objective evidence that investments in associates are impaired. Impairment losses are recognised for the amounts by which the investments in associates' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates' fair value less costs to sell and value in use.

### 2.3 Financial assets

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date. The trade-date refers to the date when the Bank undertakes to buy or sell financial assets.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ('FVOCI'), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (1) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (2) In all other cases, the difference is deferred and the timing of recognition of deferred profit or loss in day one is determined individually. It is either amortised over the life of the instrument, or deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### Measurement methods

##### *Amortisation cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider ECL but includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Bank 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.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate cash flow discounted using the original effective interest rate. Any changes are recognised in profit or loss.

##### *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL allowance).

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### Measurement methods (continued)

##### *Classification and subsequent measurement*

The Bank classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

#### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Bank's business model for managing the asset;
- (ii) the cash flow characteristics of the asset.

#### (i) *Business model*

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model, and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated, how risks are assessed and managed and how managers are compensated.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### Debt instruments (continued)

##### (ii) *Solely Payments of Principal and Interest (the 'SPPI' test)*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest ('SPPI'). In making this assessment, the Bank 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and the interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

**Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains or losses on financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement, and reported it as "net transaction income" in the comprehensive income statement.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and did not occur during the period.



# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, the gains and losses from the change in fair value are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVPL are recognised as 'net gains on trading activities' in the statement of comprehensive income.

#### Impairment of financial assets

On a forward-looking basis, the Bank assesses the expected credit losses ('ECL') of debt instrument assets at amortised cost and FVOCI, exposures arising from credit related commitments and financial guarantees. The Bank confirms the relevant loss provisions on each reporting day. The measurement of expected credit losses reflects the following elements:

- The unbiased probability weighted amount determined by evaluating a range of possible outcomes;
- The time value of money; and
- 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.

Regarding these judgment and estimates, please refer to note 3.1.4.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### Modification of loan contracts

The Bank sometimes renegotiates or otherwise modifies the contracting of loans to customers resulting in the changes of cash flow. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit sharing/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification of gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Financial assets (continued)

#### **Derecognition other than on a modification of contract**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- 1) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- 2) Is prohibited from selling or pledging the assets; and
- 3) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (bills and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. For some securitized transactions in which the Bank retains subordinate rights, for the same reason, they do not meet the requirement of termination of confirmation.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Bank neither transfers nor retains substantially all the risks and rewards of ownership, and the Bank has retained control of the transferred assets, the Bank applies continuing involvement approach. Under this approach, the Bank continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Bank. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Bank, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Bank, if the transferred asset is measured at fair value.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial liabilities

#### Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: This classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability. When continuing involvement approach applies, see note 2.3 “Derecognition other than on a modification of contract”;
- Financial guarantee contracts.

#### Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants for the borrower are also taken into consideration. If an exchange of contract or modification of terms is accounted for as an extinguishment and derecognition of relevant financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial liabilities (continued)

#### Financial guarantee contracts

According to the contract, the issuer of a financial guarantee contract must compensate the holder of the relevant loss when a specific debtor is unable to pay the debt. Financial guarantee contracts include loans to banks, financial institutions and other units, overdraft of accounts or guarantees provided by other banking businesses.

The financial guarantee contract is initially measured at fair value, followed by the following two items:

- the amount of expected credit loss calculated according to Note 3.1.4
- the premiums received at the initial confirmation excluding the income recognised according to IFRS 15

The Bank recorded the expected credit loss of loan financial guarantee contracts in provisions.

### 2.5 Fee and commission income

For the performance obligation implemented at a certain point of time, the Bank recognises revenue when the customer obtains and consumes the economic benefits of the performance of the Bank. For the performance obligation implemented during a certain period, the Bank recognises the income according to the progress of the performance during the period.

### 2.6 Dividend income

Dividends are recognised when the right to receive payment is established.

### 2.7 Repurchase agreements and reverse repurchase agreements

Securities and bills sold subject to a repurchase agreements (“Repos”) with banks and other financial institutions are retained in the financial statements as financial assets held for trading or investment securities, as the Bank still retains substantially all risk and rewards of the ownership of the underlying securities. The corresponding obligation is included in ‘Due to and placements from banks and other financial institutions.

Securities and bills purchased under agreements to re-sell (“Reverse repos”) are not recognised. The receivables are recorded as ‘Due from and placements with place banks and other financial institutions.

The difference between purchase and sale price is recognised as ‘Interest income’ or ‘Interest expense’ in the income statement over the life of the agreements using the effective interest method.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.8 Property, plant and equipment

The Bank's fixed assets mainly comprise buildings, motor vehicles, electronic equipment, office equipment and construction in progress.

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and present value of expected future cash flows.

The estimated useful lives, depreciation rate and estimated residual value rate of buildings, motor vehicles, electronic equipment and office equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rates	Depreciation rate
Buildings	20 years	5.00%	4.75%
Motor vehicles	5 years	5.00%	19.00%
Electronic equipment	3 years	5.00%	31.67%
Office equipment	5 years	5.00%	19.00%

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use and begin to account for depreciation.

When a fixed asset is disposed or cannot generate economic benefits, it should be derecognised. Gains or losses caused by derecognition (disposal income minus its book value) are accounted for in profit or loss of the current period.

#### 2.9 Foreclosed assets

When the Bank's obligor uses foreclosed asset to compensate the principal and interest of loan, foreclosed asset is initially recognised and measured at fair value. When there is evidence indicating that the recoverable amount of the foreclosed assets is lower than the book value, the Bank will reduce the book value to the recoverable amount.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.10 Investment properties

Real estate held by the Bank for rental income and not used by the Bank is listed as investment properties. Investment properties include land, housing and buildings.

The Bank adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives, estimated net residual value, depreciation rate (amortisation rate) and estimated residual value rate of investment properties are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Depreciation rate
Buildings	20 years	5.00%	4.75%

Investment properties are reviewed for impairment at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher between the fair value minus the disposal cost and the present value of the expected future cash flow of the asset.

When an investment property is sold, transferred, retired or damaged, the Bank recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

#### 2.11 Impairment of non-financial assets

At the end of the reporting period or whenever there is an indication that the non-financial assets are impaired, the Bank reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. The recoverable amount is the higher between the fair value minus the disposal cost and the present value of the expected future cash flow of the asset. Asset impairment loss is calculated and recognised on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined according to the asset group to which the asset belongs. Asset group is the smallest asset portfolio that can generate cash inflow independently.

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 Leases

Lease means a contract in which the lessor transfers the right to use the assets to the lessee for consideration within a certain period of time.

#### (a) The Bank as lessee

The Bank recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made when it is reasonably determined to exercise purchase option or terminate lease option.

The Bank's right-of-use assets include leased properties, venues, parking lots, advertising spaces, vehicles and equipment etc. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc., and deducts any lease incentives received. The leased asset is depreciated on a straight-line basis over its remaining useful life if the Bank could reasonably determine to obtain the ownership at the expiration of the lease term; if it is unsure whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of its remaining useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Bank reduces the book value to the recoverable value.

For short-term leases with a lease term shorter than 12 months and leases of asset with low value when it is new, the Bank recognises relevant rental expenses on a straight-line basis in profit or loss or in the related asset costs in each lease period rather than recognising the right-of-use assets or lease liabilities.

#### (b) The Bank as lessor

Finance lease is a lease that in substance transfers almost all risks and rewards related to the ownership of the leased asset. Other leases are operating leases. The Bank has no finance leases.

#### *Operating Lease*

When the Bank leases out its own buildings and properties, equipment and transportation vehicles, the rental income arising from operating leases is recognised on a straight-line basis over the lease term.

### 2.13 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including: cash, unrestricted balances with central bank and amounts due from banks and other financial institutions.



# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Foreign currency translation

Foreign currency transactions are translated into the recording currency using the exchange rates prevailing at the dates of the transactions or valuation.

Monetary assets and liabilities are translated into the recording currency using the exchange rates prevailing at the dates of the transactions or valuation. The exchange differences arising from the special borrowings borrowed for the acquisition and construction of assets eligible for the capitalization of borrowing costs shall be capitalized during the capitalization period; other exchange differences shall be directly recognised in profit and loss. Non-monetary assets and liabilities measured at historical cost shall be translated into the recording currency using the exchange rates prevailing at the dates of the transactions or valuation. The impact of exchange rate changes shall be separately presented in the cash flow statement.

### 2.15 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the risks specific to the obligation, the uncertainties and the time value of money.

### 2.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. Tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. As at the financial statements date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the related deferred income tax asset is realised or the deferred income tax liability is settled pursuant to tax laws.

The temporary differences primarily arise from expected credit loss allowance for customer loans, expected credit loss allowance for financial investments, and unrealized gain/loss of financial investments – fair value through profit or loss and financial investments – fair value through other comprehensive income.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised. Deferred income tax liabilities are the amounts of income tax payable in respect of taxable temporary differences, which are measured at the amount expected to be paid to the tax authorities in the future.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Current and deferred income taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 Share capital

Share capital comprises ordinary shares issued.

### 2.18 Dividend

Dividends on ordinary shares are recognised in the period in which they are declared and approved by the Bank's shareholders.

### 2.19 Government subsidies

Government subsidies are recognised when they are able to meet the conditions attached to government grants and can be received. In connection with assets related government subsidies, the Bank recognised its initial value as deferred income at fair value and allocated it equally to the relevant assets during its useful life. The government subsidy used to compensate the relevant expenses of the Bank shall be included in the current profits and losses during the period of confirming the relevant expenses.

### 2.20 Employee benefits

Employee benefits refer to the rewards that the Bank offers to its employees for the services they provided or the compensation that is given to dissolve their labour relations. During the accounting period of employees providing services, the Bank will recognise the salary as liabilities and increase the cost of capital or period cost.

#### (a) Basic Pension Insurance

According to the relevant laws and regulations of China, the employees of the Bank have joined the basic social endowment insurance organized by the local labour and social security departments. The Bank has paid the endowment premium to the local social endowment insurance agencies according to the base and proportion in the local requirements for social basic endowment insurance. The social basic endowment insurance mentioned above is accrued to the profit and loss of the current period according to the principle of accrual basis. The labour and social security bureaus will pay the basic social pension benefits to those retired employees. The contributions the Bank contributes to the basic pension insurance plan are recognized as expenses when incurred, and will not be deducted by forfeited contributions of employees who left the plan before the contributions are fully attributed.

#### (b) Enterprise Annuity

Since 2016, apart from the basic social pension insurance, the employees of the Bank have also voluntarily participated in the enterprise annuity plan established by the Bank in accordance with the relevant national policies in relation to the enterprise annuity system. The Bank contributes a certain portion of the employees' gross salaries of the previous year to the annuity plan. Expenses with respect to the contribution borne by the Bank are recognised in current profit or loss. The contributions the Bank contributes to the enterprise annuity plan are recognized as expenses when incurred, and will not be deducted by forfeited contributions of employees who left the plan before the contributions are fully attributed.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.21 Contingent liability

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 Bank. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognised as a provision.

### 2.22 Trusteeship

Financial information does not include the assets generated when the Bank acts as trustee (e.g. agent, trustee, manager or agent), together with the commitment to return such assets to customers.

The Bank grants entrusted loans on behalf of third-party lenders. The Bank (acting as an agent) grants loans to borrowers at the direction of third-party lenders who provide funds for such loans. The Bank has contracted with such third-party lenders to manage such loans and receipts on their behalf. Third-party lenders determine the lending requirements of entrusted loans and all their terms, including their purpose, amount, interest rate and repayment period. The Bank collects commissions on entrusted loan business (prorated confirmation during service delivery). The risk of loan loss shall be borne by the third party lenders.

### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the senior management team represented by the governor as its chief operating decision maker.

An operating segment is a component of the Bank with all of the following conditions are satisfied: (1) that component can earn revenues and incur expenses from ordinary activities; (2) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (3) discrete financial statements for the component is available to the Bank. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment.

Intra-segment revenue and costs are eliminated. Income and expenses directly associated with each segment are included in determining segment performance.

The classification of reporting segments are based on the operating segments, and the assets and expenses shared by all the segments are allocated according to their scales.

The Bank has the following segments: Corporate Banking, Retail Banking, Financial Markets and Others.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT

### Overview

The Bank's activities are exposed to a variety of financial risks, primarily including credit risk, market risk (including currency risk, interest risk and other price risk), and liquidity risk. The financial risk management involves analysis, evaluation, acceptance and management of different degrees of risks or combination of them. Taking risks is the core characteristic of the financial business, and facing risks will be inevitable when doing such business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, to monitor the risks and to control the limits with reliable and constantly updated systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is the highest authority for the Bank's overall risk management, responsible for final risk management, reviewing and approving risk management strategies and measures, supervising risk management and internal control systems, and evaluating overall risks based on monitoring information and risk reports from senior management. Senior management is responsible for overseeing the Bank's overall risk management, including the formulation and implementation of risk management policies and procedures, covering credit risk, interest rate risk, liquidity risk and foreign exchange risk. The risk management committee is in charge of the Bank's overall risk management structure, policies and tools, and monitors the risk management. The assets and liabilities management department is primarily in charge of the Bank's liquidity risk and interest rate risk.

### 3.1 Credit risk

The Bank is exposed to credit risk, which is the risk that a customer or counterparty will be unable to or unwilling to meet its obligations under a contract. Changes in the economy or those in credit quality of a particular industry segment or concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk increases when the counterparties are in the similar geographical or industry segments. Credit exposures arise principally from customer loans, debt securities and due from banks and other financial institutions. There are also credit risk exposures in off-balance sheet financial arrangements such as loan commitments, guarantees, acceptances and letters of credit.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.1 Credit risk measurement

##### (a) Credit business

The Bank measures and manages the quality of its credit assets in accordance with the CBIRC's Guidelines of Risk Classification of Loans and Guidelines of Risk Classification of Micro Enterprises loans (Trial Implementation). The classification of loans is based on the borrowers' repayment ability, payment history, willing of repayment, guarantee of loans, legal responsibility and loan administration. The Guidelines of Risk Classification of Loans require financial institutions to classify their credit assets into five categories, namely pass, special mention, substandard, doubtful and loss, of which the last three categories are non-performing loans. For personal loans, the number of overdue days is also an important indicator for loan classification.

The core definitions of credit asset classifications in 'Loan Risk Classifications Guiding Principles' are as follows:

**Pass:** The borrower can fulfil the contracts, and there is insufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.

**Special mention:** The borrower has the ability to make current payments, but there may be some potential issues that could have adverse impact on the future payments.

**Substandard:** The borrower's repayment ability has been impaired and their normal income cannot repay the loan principal plus interest in full. Even with execution of guarantee, there may be certain level of loss.

**Doubtful:** The borrower cannot repay the principal plus the interest in full. Even with the execution of guarantee, there will be a significant loss.

**Loss:** After taking consideration of all possible recovery actions or all necessary legal proceedings, the future outcome of recovery is likely to be little or nil.

Risk Management Department coordinates the classification of loans. The classification of loans is performed by the principle of regular comprehensive classification and timely adjustment. The responsible departments perform initial classification, after which Credit Management Department, Key Customers Business Department, Chengdu Branch and Huirongtong Small Micro Loan Center perform initial review on the classifications proposed by respective departments. Risk Management Department summarises the classification information reviewed by the related departments, conducts secondary review and reports the classification results and all relevant information to risk management committee for final approval. The classification of loans is monitored and adjusted through related credit management system.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## **3 FINANCIAL RISK MANAGEMENT** (continued)

### **3.1 Credit risk** (continued)

#### **3.1.1 Credit risk measurement** (continued)

##### *(b) Financial market business*

For treasury business (including debt investments), the Bank chooses banks and other financial institutions prudently, balances the credit risk and return rate of investments, makes reference to internal and external credit rating information, and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities investments, unified credit authorisation management is used by the Bank for managing the credit risk exposed to debt securities investments. The investment in those debts and bills is to own exposures with better credit quality while maintaining readily available liquidity resource. The Bank performs unified credit review and approval and exposure management to the bond issuers invested. The Bank regards the external credit ratings of the bonds invested as a necessary content of bond credit risk management to enhance the credit risk control.

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. The Bank implements a rating system for accepting banks, trust companies, securities companies and fund companies, sets credit limits for ultimate borrowers of trust plans, ultimate borrowers of targeted asset management plans, and issuers of inter-bank wealth management products, and carries out follow-up risk management on a regular basis.

The Bank manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the external credit rating of the banks and financial institutions. The head office monitors and reviews the credit risk of loans to banks and other financial institutions by counterparties periodically and manages them with limit exposures.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.2 Risk limit control and mitigation policies

##### (a) *Credit business*

The Bank takes the same credit risk management control procedure for on and off-balance sheet risk exposures. The risk control procedure of the Bank's credit risk includes the following: credit policy stipulating, pre-credit investigation, risk assessment, collateral assessment, examination and approval of credit loans, draw-down, post-loan management, management on non-performing loans, due-diligence on non-performing loans.

The Bank has established a mechanism of risk warning for credit business, mainly including single customer credit risk and systematic risk. Unified credit authorisation management is implemented for key customers. Once the maximum exposure of a single customer is determined, the customer's exposure limit should not exceed its credit limit in the Bank at any time before it obtains new credit limit.

The Bank takes action to strengthen controls over credit risk in relation to group customer and related party customer. The Bank places limits in relation to key group customers to control credit risk. The committee of related party transactions is set up under the Board to manage controls on related party transaction.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is taking collateral, which is common practice.

Except for few customers with excellent quality, the Bank requires the borrowers to provide credit enhancements for loans. The type of credit enhancements mainly include collateral, pledge and guarantee. The detailed collateral type and amount is determined by credit risk of counterparty or customers.

The Bank employs a range of asset evaluation companies to value the collaterals. The Bank generally accepts assets whose value are clear as collaterals, such as deposit receipt and real estate.

##### (b) *Financial market business*

The Bank manages financial market business with hierarchical authorisation from department heads to the president for different business types such as purchase, distribution, trade and repurchase of debt securities.

The Bank conducts necessary assessments on the risk status and loss of trading investment bonds. The Bank sets stop-loss point based on analysis of trend of macroeconomic situation and monetary policy. The Bank places limits for inter-bank borrowing and lending. The Bank manages the credit risk exposures of inter-bank borrowing and lending strictly within the limit of regulation and credit authorisation. The Bank conducts approvals strictly on a case-by-case basis within the authorized limit.

The debt securities traders, as timely monitors of changes in market interest rates, regularly review and monitor the changes of market interest and report the market value of debt securities to Risk Management Department. If there is any volatility of interest rate in the market or any significant credit risk encountered to debtors, the business department responsible for security investment will arrange Risk Management Department of head office to conclude an emergency plan. The debt trader will react according to the plan.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.3 Collateral and guarantee

The Bank has a range of policies and practices intended to mitigate credit risk. The most useful practice is to accept collaterals. The Bank implements guidelines on the acceptability of specific classes of collateral. The maximum loan-to-value ratio is determined by the credit approval department. The follow-up management of the collateral is carried out by the related business management department. The principal types of collateral for corporate loans and personal loans are as follows:

Type of Collateral	Maximum loan-to-value ratio
<b>Collaterals</b>	
Residential and Commercial properties	60%
Land use rights for commercial, residential and comprehensive use	50%
Land use rights for industrial use	40%
Plants, workshops and factories or office and warehouse in non-urban area	40%
Forestry, trees and woodland usage rights	40%
Construction in progress	50%
<b>Pledges</b>	
Security deposits and certificates of deposit (including electronic certificates of deposits) issued by the Bank	100%
Certificates of deposit issued by other banks	90%
Treasury bonds, bank cheques and bank acceptance bills	90%
Commercial acceptance bills	80%
Debt securities issued by corporations with rating of AA or above	50%
Shares and equities	50%
Warehouse receipts and bills of lading	50%
Receivables	50%
Property right from intellectual properties rights including patents and copyrights	30%

Mortgage loans to retail customers are generally collateralised by residential properties. Other loans are collateralised according to the nature of the loan.

For loans guaranteed by a third-party guarantor, the Bank will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collateral held as security for financial assets other than customer loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Details of collateral accepted and which the Bank is obligated to return are disclosed in Note 36.



# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.4 Measurement of expected credit losses

In accordance with IFRS 9, the Bank classified the financial instruments into three stages. Stage 1 includes performing financial instruments that are “not credit-impaired on initial recognition”. The Bank needs to measure expected credit losses (“ECL”) in the next 12 months. If the remaining term is less than 12 months, the Bank only needs to measure ECL for the remaining term. Stage 2 includes financial instruments that have had significant increase in credit risk since initial recognition and stage 3 includes credit-impaired financial assets. ECL for the entire life cycle are recognised for those financial instruments in stage 2 and stage 3.

#### *3-stage classification*

According to IFRS 9, 3-stage classification criteria needs to be clearly specified. Financial instruments, that are “not credit-impaired on initial recognition” will be classified in stage 1 and a 12-month ECL is calculated. If “a significant increase in credit risk” is identified, the financial instrument will be moved to stage 2 and the lifetime ECL is calculated. If the financial instrument is credit-impaired, the financial instrument will be moved to stage 3. The detailed classification criteria has been set up, taking into consideration the overdue days, etc.

The stages are transferable. For example, when the credit risk of financial instruments classified in stage 1 significantly increase, they will be transferred to stage 2.

#### (1) *Financial assets with significant increase in credit risk*

When triggering one or more of the following quantitative or qualitative criteria, the Bank determines that the credit risk of financial instruments has increased significantly.

#### Quantitative criteria

- The principal or interest of the contract is overdue for more than 30 days, but less than 90 days.
- The debtor’s external credit rating (bond rating or issuer rating) has been downgraded to BBB or below.

#### Qualitative criteria

- Changes in the economic, technological or legal environment in which the debtor is operating in at the present time or in the near future, thereby having negative impacts on obligator’s repayment ability.
- Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk and could cause losses of financial assets to the Bank.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.4 Measurement of expected credit losses (continued)

##### *3-stage classification (continued)*

##### (2) *Definition of default and loss incurred*

When a financial instrument meets one or more of the following conditions, the Bank considers the financial asset as being defaulted, and the criteria are consistent with the definition of the loss incurred.

##### Quantitative criteria

- The principal or interest of the contract is overdue for more than 90 days.
- The debtor's external credit rating (bond rating or issuer rating) is has been downgraded to C or below.

##### Qualitative criteria

- The debtor is likely to go bankrupt or carry out other financial restructuring.
- The issuer of financial instruments assets held by the Bank has serious financial difficulties.
- The Bank has made concessions to the debtor in financial difficulty for economic or legal reasons.
- The market of related financial instruments is deserted due to the debtor's financial difficulty.
- It is becoming probable that the obligor will enter bankruptcy.

The above criteria apply to all financial instruments of the Bank; the definition of default is consistently applied to the calculation of expected credit losses of the Bank, including default probability (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not meet any definition of default for six consecutive months, the Bank no longer regards it as an asset in default (reversal). According to the relevant analysis, the Bank has considered the possibility that the financial instruments will be in default again from the reversal under various circumstances, and decided to adopt the six-month observation period.

##### (3) *Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques*

Depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the expected credit losses for different assets for 12 months or entire life of the asset. Expected credit loss is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after term adjustment and discount. Related definitions are as follows:

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.4 Measurement of expected credit losses (continued)

##### *3-stage classification (continued)*

(3) *Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques (continued)*

Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Bank builds the migration matrix based on historical data to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model.

Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty and the availability of collateral or other credit support.

Exposure at default (EAD) refers to the amount that the Bank should pay when the default occurs in the next 12 months or throughout the remaining life. The Bank's exposure at default is determined by the expected repayment arrangements, and different types of products will vary. For installments and one-time repayments, the Bank determines the exposure at default according to the repayment plan stipulated in the contract.

The Bank determines the expected credit losses by forecasting the probability of default, loss given default and exposure at default of single debt. The Bank multiplies the three items. This approach can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date and add up. The discount rate used in the calculation of expected credit loss is the effective interest rate or its approximate value.

(4) *Establishment of impairment model*

The Bank has established macro-economic forecast model, with reference to external economic forecasts. The Bank conducts forecasts regularly and establishes three possible economic scenarios, optimistic, basic and pessimistic. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than basic scenario respectively.

The impairment model is established through a top-down approach. The Bank has developed several corporate, retail and inter-bank impairment models, including regression models for different macro-economic indicators such as Macro-economic Climate Index, Business Climate Index, National Housing Climate Index and Non-performing loan ratio of commercial banks etc. and uses MERTON formula and historical default information to make 'forward looking' adjustments to probability of default to achieve "forward-looking" calculation of provision.

For asset portfolios that regression model cannot be established, for example, customers' default rate is extremely low or assets without an appropriate internal rating method, the Bank mainly applies external rating and expected loss rate from similar portfolios which regression model have been established so as to increase coverage range of existing impairment models.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.4 Measurement of expected credit losses (continued)

##### *3-stage classification (continued)*

##### (4) *Establishment of impairment model (continued)*

##### (a) *Forwarding-looking information included in ECL model*

The calculation of expected credit losses involves forward-looking information. The Bank identifies the key economic indicators affecting the credit risk and expected credit loss of each asset portfolio, through historical data analysis.

Scope	
Macro-economic Climate Index	Corporate loans, discounted bills, retail loans, financial investments – credit related financial assets, off-balance sheet business
National Housing Climate Index	Retail loans

These economic indicators and their impact on PD depend on different financial instruments, which involve expert judgments. The Bank annually makes forecasts on these economic indicators (“basic economic scenarios”) and provides the best estimation of the economics for the next two years. The Bank believes that the economic indicators from two years later to the end of the maturity of financial instruments tend to maintain average or average growth for a long time in the following period through the mean regression method. The impact of these economical variables on the PD has been determined by performing MERTON model analysis to understand the impact of historical changes on PD, EAD and LGD.

The Bank sets other possible scenarios and scenario weightings according to external data. Based on the analysis for each major portfolio and the number of scenarios, the Bank keeps their non-linear characteristics. The Bank reassesses the number and characteristics of scenarios annually. On 31 December 2021, the Bank’s three scenarios (basic, optimistic and pessimistic) can properly reflect the non-linear characteristics of each portfolio. The Bank determines scenario weightings through statistical analysis and expert credit judgment, and also considers the possible range of outcomes represented by scenarios. The Bank recognises the ECL both for 12-month and life time with the classification of stage 1, stage 2 and stage 3 of financial instruments. The Bank measures the ECL with weighted ECL for 12-month (Stage 1) and weighted ECL for life time (Stage 2 and Stage 3), which is calculated by multiplying the ECL under each scenario by their weightings respectively, rather than by weighting the parameters. On 31 December 2021, the weightings allocated to each economic scenario were 60% for basic, 10% for optimism and 30% for pessimism (31 December 2020: the weightings allocated to each economic scenario were 60% for basic, 10% for optimism and 30% for pessimism).

Similar to other economic predictions, there is highly inherent uncertainty to the prediction and estimation of probability. Therefore, the actual results may significantly differ from the prediction. The Bank believes that these predictions reflect the best estimation of possible outcomes, and the chosen scenarios can represent possible scenarios appropriately.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.4 Measurement of expected credit losses (continued)

###### *3-stage classification (continued)*

(4) *Establishment of impairment model (continued)*

###### (b) *Hypothesis on Economic Indicators*

On 31 December 2021, the important assumptions used for ECL are listed below.

	2022	2023
Macro-economic Climate Index	95.81-101.04	92.91-103.60
National Housing Climate Index	97.21-107.49	97.87-103.91

###### (c) *Sensitivity Analysis*

Important assumptions affecting the ECL allowance are as follows:

Retail loans	i.	Macro-economic Climate Index: Impact on the performance and the contractual repayment capacity of non-mortgage borrowers;
	ii.	National Housing Climate Index: Impact on the contractual repayment capacity of mortgage borrowers;
Corporate loans	i.	Macro-economic Climate Index: Impact on the performance and the contractual repayment capacity of the borrowers;
Financial investments – credit related financial assets	i.	Macro-economic Climate Index: Impact on the performance and the contractual repayment capacity of the underlying borrowers;

On 31 December 2021, assuming that the economic indicators used by the Bank have changed reasonably, the expected credit losses will change as follows:

###### *Retail loans*

		Macro-economic Climate Index		
		Down 1%	No change	Up 1%
National Housing				
Climate Index	Down 1%	27,953	2,072	(20,970)
	No change	25,881	–	(23,042)
	Up 1%	24,224	(1,657)	(24,699)

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.4 Measurement of expected credit losses (continued)

###### 3-stage classification (continued)

(4) Establishment of impairment model (continued)

(c) Sensitivity Analysis (continued)

###### Corporate loans

	Change	Amount
Macro-economic	Up 1%	(141,221)
Climate Index	Down 1%	192,038

###### Financial investments – credit related financial assets

	Change	Amount
Macro-economic	Up 1%	(5,964)
Climate Index	Down 1%	6,885

##### 3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements:

(a) *Maximum exposure to credit risk – Financial instruments subject to impairment*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Assets</b>				
Balances with central bank	10,359,361	-	-	10,359,361
Due from and placements with banks and other financial institutions	7,452,012	-	-	7,452,012
Customer loans	70,097,240	1,764,103	374,849	72,236,192
Financial investments – credit related financial assets	2,544,050	546,969	-	3,091,019
Financial investments – fair value through other comprehensive income	12,800,333	34,582	-	12,834,915
Financial investments – amortised cost	15,663,659	630,640	75,850	16,370,149
Other financial assets	239,951	-	-	239,951
<b>Subtotal</b>	<b>119,156,606</b>	<b>2,976,294</b>	<b>450,699</b>	<b>122,583,599</b>
<b>Off balance sheet guarantees and commitments</b>	<b>804,108</b>	<b>-</b>	<b>-</b>	<b>804,108</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

#### 3.1.5 Maximum exposure to credit risk before collateral held or other credit enhancements: (continued)

##### (a) Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
<b>Assets</b>				
Balances with central bank	10,410,431	–	–	10,410,431
Due from and placements with banks and other financial institutions	4,961,948	–	–	4,961,948
Customer loans	56,502,571	378,665	704,075	57,585,311
Financial investments – credit related financial assets	3,211,844	497,421	–	3,709,265
Financial investments – fair value through other comprehensive income	8,100,931	–	–	8,100,931
Financial investments – amortised cost	15,347,948	244,553	78,327	15,670,828
Other financial assets	186,540	–	–	186,540
<b>Subtotal</b>	<b>98,722,213</b>	<b>1,120,639</b>	<b>782,402</b>	<b>100,625,254</b>
<b>Off balance sheet guarantees and commitments</b>	<b>3,885,869</b>	<b>–</b>	<b>–</b>	<b>3,885,869</b>

##### (b) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	As at 31 December 2021	As at 31 December 2020
<b>Financial investments – fair value through profit or loss</b>		
– Bond investments	<b>8,201,873</b>	8,401,872
– Fund investments	<b>1,560,411</b>	1,934,772
– Trust plans	<b>91,917</b>	–
– Wealth management products purchased from financial institutions	–	6,104,208
– Joint-investment projects	–	30,051
<b>Total</b>	<b>9,854,201</b>	<b>16,470,903</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.6 Customer loans

Customer loans are summarised as follows:

	As at 31 December 2021			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	58,141,105	9,908,845	3,239,214	71,289,164
Stage 2	1,832,832	99,016	373,029	2,304,877
Stage 3	899,070	159,629	–	1,058,699
<b>Total</b>	<b>60,873,007</b>	<b>10,167,490</b>	<b>3,612,243</b>	<b>74,652,740</b>
Accrued Interest	183,809	36,741	–	220,550
Less: ECL allowance <sup>(i)</sup>	(2,306,162)	(330,936)	–	(2,637,098)
<b>Net amount</b>	<b>58,750,654</b>	<b>9,873,295</b>	<b>3,612,243</b>	<b>72,236,192</b>

	As at 31 December 2020			
	Corporate loans	Personal loans	Discounted bills	Total
Stage 1	45,176,538	7,516,912	4,778,348	57,471,798
Stage 2	390,212	133,301	–	523,513
Stage 3	1,283,350	74,216	–	1,357,566
<b>Total</b>	<b>46,850,100</b>	<b>7,724,429</b>	<b>4,778,348</b>	<b>59,352,877</b>
Accrued Interest	222,309	48,530	–	270,839
Less: ECL allowance <sup>(i)</sup>	(1,857,286)	(181,119)	–	(2,038,405)
<b>Net amount</b>	<b>45,215,123</b>	<b>7,591,840</b>	<b>4,778,348</b>	<b>57,585,311</b>

- (i) As at 31 December 2021, ECL allowance recognised by the Bank for Discounted bills – FVOCI was RMB141,913 thousand (As at 31 December 2020: RMB72,222 thousand).



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.6 Customer loans (continued)

###### (a) Stage-3 loans

As at 31 December 2021	Collateralised loans				Non-collateralised loans		
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets (Stage 3)							
Customer loans							
– Corporate loans	755,536	(533,680)	221,856	307,365	143,534	(100,363)	43,171
– Personal loans	101,546	(66,410)	35,136	54,643	58,083	(40,669)	17,414
<b>Total</b>	<b>857,082</b>	<b>(600,090)</b>	<b>256,992</b>	<b>362,008</b>	<b>201,617</b>	<b>(141,032)</b>	<b>60,585</b>

As at 31 December 2020	Collateralised loans				Non-collateralised loans		
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets (Stage 3)							
Customer loans							
– Corporate loans	199,410	(152,846)	46,564	65,688	1,083,940	(549,958)	533,982
– Personal loans	45,199	(26,538)	18,661	35,992	29,017	(21,462)	7,555
<b>Total</b>	<b>244,609</b>	<b>(179,384)</b>	<b>65,225</b>	<b>101,680</b>	<b>1,112,957</b>	<b>(571,420)</b>	<b>541,537</b>

The fair value of collaterals is estimated based on the latest available external valuations, the realization experience of the current collaterals and the market conditions.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.6 Customer loans (continued)

###### (b) Restructured customer loans

Restructuring activities include approved debt repayment plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue to be made. These policies are under regular review. Restructuring is most commonly applied to term loans, in particular mid-term and long-term loans.

	As at 31 December	
	2021	2020
Restructured customer loans	134,481	390,145

###### (c) Overdue customer loans by security and overdue date

	As at 31 December 2021				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Collateralised loans	946,817	76,892	246,508	724	1,270,941
Guaranteed loans	251,000	35,827	–	25,669	312,496
Unsecured loans	27,321	30,018	22,242	63	79,644
Pledged loans	23,991	2,600	8	–	26,599
<b>Total</b>	<b>1,249,129</b>	<b>145,337</b>	<b>268,758</b>	<b>26,456</b>	<b>1,689,680</b>

	As at 31 December 2020				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Collateralised loans	110,404	30,385	193,473	1,251	335,513
Guaranteed loans	419,479	305,523	36,174	–	761,176
Unsecured loans	11,018	21,792	5,805	71	38,686
Pledged loans	12,003	348	–	–	12,351
<b>Total</b>	<b>552,904</b>	<b>358,048</b>	<b>235,452</b>	<b>1,322</b>	<b>1,147,726</b>

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.6 Customer loans (continued)

##### (d) Industry analysis

Concentration risks analysis for customer loans(gross) by industry sectors:

	As at 31 December			
	2021		2020	
	Amount	%	Amount	%
<b>Corporate loans</b>				
Leasing and commercial services	21,724,771	29.01	18,232,413	30.58
Construction	14,275,490	19.07	8,649,466	14.51
Real estate	8,757,758	11.70	6,883,760	11.55
Wholesale and retail	3,972,040	5.31	3,274,977	5.49
Water, environment and public utility management	2,856,439	3.82	1,825,815	3.06
Manufacturing	2,760,512	3.69	2,753,852	4.62
Financial services	1,375,200	1.84	198,000	0.33
Education	1,357,700	1.81	1,277,300	2.14
Sanitation and social work	833,050	1.11	837,250	1.40
Accommodation and catering	823,652	1.10	967,016	1.62
Production and supply of electricity, heat, gas and water	532,670	0.71	276,300	0.46
Agriculture, forestry, animal husbandry and fishery	498,469	0.67	522,102	0.88
Information transmission, software and IT services	486,000	0.65	600,130	1.01
Household, maintenance and other services	214,500	0.29	80,000	0.13
Transportation, storage and postage services	183,269	0.24	213,019	0.36
Scientific research and technology services	103,789	0.14	105,500	0.18
Culture, sports and entertainment	63,400	0.08	110,900	0.19
Mining	54,298	0.07	42,300	0.07
<b>Total corporate loans</b>	<b>60,873,007</b>	<b>81.31</b>	<b>46,850,100</b>	<b>78.58</b>
Personal business loans	5,979,097	7.99	4,516,094	7.58
Residential mortgages	2,696,391	3.60	2,118,017	3.55
Personal consumption loans	1,492,002	1.99	1,090,318	1.83
<b>Total personal loans</b>	<b>10,167,490</b>	<b>13.58</b>	<b>7,724,429</b>	<b>12.96</b>
Discounted bills	3,612,243	4.82	4,778,348	8.01
Accrued Interest	220,550	0.29	270,839	0.45
<b>Total customer loans excluding ECL allowance</b>	<b>74,873,290</b>	<b>100.00</b>	<b>59,623,716</b>	<b>100.00</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.6 Customer loans (continued)

###### (e) *Type of collateral analysis*

Analysis for customer loans (gross) by type of collateral:

	As at 31 December	
	2021	2020
Guaranteed loans	<b>34,796,495</b>	25,007,860
Collateralised loans	<b>20,263,575</b>	18,056,487
Unsecured loans	<b>9,803,584</b>	5,757,772
Pledged loans	<b>9,789,086</b>	10,530,758
Accrued interest	<b>220,550</b>	270,839
<b>Total</b>	<b>74,873,290</b>	59,623,716

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.7 Investment securities

As at 31 December 2021 and 2020, RMB securities are rated by major domestic rating agencies.

The rating results of investment securities are as follows:

As at 31 December 2021	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
<b>RMB</b>					
A-1	–	169,960	–	–	169,960
AAA	1,844,906	800,481	1,266,133	–	3,911,520
AA-to AA+	2,343,620	2,213,360	254,131	–	4,811,111
Unrated (a)	5,665,675	9,390,167	15,082,845	3,219,100	33,357,787
Accrued Interest	–	260,947	364,088	109,284	734,319
Less: expected credit impairment provision	–	–	(628,926)	(237,365)	(866,291)
<b>Subtotal</b>	<b>9,854,201</b>	<b>12,834,915</b>	<b>16,338,271</b>	<b>3,091,019</b>	<b>42,118,406</b>
<b>Foreign currency</b>					
Unrated	–	–	31,878	–	31,878
<b>Subtotal</b>	<b>–</b>	<b>–</b>	<b>31,878</b>	<b>–</b>	<b>31,878</b>
<b>Total</b>	<b>9,854,201</b>	<b>12,834,915</b>	<b>16,370,149</b>	<b>3,091,019</b>	<b>42,150,284</b>

#### (a) Unrated securities

As at 31 December 2021	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
Local government bonds	–	–	960,462	–	960,462
Government bonds	–	1,496,164	2,592,465	–	4,088,629
Policy bank bonds	–	391,996	4,256,022	–	4,648,018
Certificates of deposit	–	1,748,485	–	–	1,748,485
Medium-term notes	–	298,140	–	–	298,140
Private placement notes	794,423	1,570,766	280,000	–	2,645,189
Funds	1,560,411	–	–	–	1,560,411
Industry funds (Senior tranche)	–	–	400,000	–	400,000
Privately raised corporate bond	3,218,924	3,884,616	5,507,896	–	12,611,436
Trust plans	91,917	–	1,086,000	3,219,100	4,397,017
<b>Total</b>	<b>5,665,675</b>	<b>9,390,167</b>	<b>15,082,845</b>	<b>3,219,100</b>	<b>33,357,787</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.7 Investment securities (continued)

The rating results of investment securities are as follows (continued):

As at 31 December 2020	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
<b>RMB securities</b>					
AAA	1,167,545	149,567	759,918	–	2,077,030
AA-to AA+	2,814,860	1,503,748	121,973	–	4,440,581
Unrated (a)	12,488,498	6,262,529	15,008,941	3,896,600	37,656,568
Accrued Interest	–	185,087	254,938	59,314	499,339
Less: expected credit impairment provision	–	–	(474,942)	(246,649)	(721,591)
<b>Total</b>	<b>16,470,903</b>	<b>8,100,931</b>	<b>15,670,828</b>	<b>3,709,265</b>	<b>43,951,927</b>

#### (a) Unrated securities

As at 31 December 2020	Financial investments – fair value through profit or loss	Financial investments – FVOCI	Financial investments – amortised cost	Financial investment – credit related financial assets	Total
Local government bonds	–	–	1,083,261	–	1,083,261
Government bonds	–	841,541	1,041,338	–	1,882,879
Policy bank bonds	–	765,853	3,144,223	–	3,910,076
Certificates of deposit	–	972,261	–	–	972,261
Private placement notes	848,172	688,924	780,000	–	2,317,096
Funds	1,934,772	–	–	–	1,934,772
Joint-investment projects	30,051	–	–	–	30,051
Wealth management products purchased from financial institutions	6,104,208	–	–	–	6,104,208
Industry funds (Senior tranche)	–	–	400,000	–	400,000
Privately raised corporate bond	3,571,295	2,993,950	7,474,119	–	14,039,364
Trust plans	–	–	1,086,000	3,896,600	4,982,600
<b>Total</b>	<b>12,488,498</b>	<b>6,262,529</b>	<b>15,008,941</b>	<b>3,896,600</b>	<b>37,656,568</b>

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.1 Credit risk (continued)

#### 3.1.7 Investment securities (continued)

Financial investments – amortised cost are summarised as follows:

	As at 31 December	
	2021	2020
Stage 1	15,467,761	15,290,832
Stage 2	917,226	350,000
Stage 3	250,000	250,000
Add: Accrued interest	364,088	254,938
Gross amount	16,999,075	16,145,770
Less: ECL allowance	(628,926)	(474,942)
<b>Net amount</b>	<b>16,370,149</b>	<b>15,670,828</b>

Financial investments – credit related financial assets are summarised as follows:

	As at 31 December	
	2021	2020
Stage 1	2,580,750	3,258,250
Stage 2	638,350	638,350
Add: Accrued interest	109,284	59,314
Gross amount	3,328,384	3,955,914
Less: ECL allowance	(237,365)	(246,649)
<b>Net amount</b>	<b>3,091,019</b>	<b>3,709,265</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Credit risk (continued)

##### 3.1.7 Investment securities (continued)

Concentration risks analysis for financial investments – credit related financial assets by industry sectors:

	As at 31 December			
	2021		2020	
	Amount	%	Amount	%
Financial investments – credit related financial assets				
Leasing and commercial services	1,468,350	44.12	1,764,350	44.60
Agriculture, forestry, animal husbandry and fishery	1,000,000	30.04	1,000,000	25.28
Construction	582,000	17.49	616,000	15.57
Water, environment and public utility management	168,750	5.07	206,250	5.21
Real estate	–	–	310,000	7.84
Accrued interest	109,284	3.28	59,314	1.50
<b>Total</b>	<b>3,328,384</b>	<b>100.00</b>	<b>3,955,914</b>	<b>100.00</b>

##### 3.1.8 Foreclosed assets

The types and book values of foreclosed assets held by the Bank are as follows:

	As at 31 December	
	2021	2020
Business properties	41,940	48,300
Provision for foreclosed assets	(15,310)	(15,855)
<b>Total</b>	<b>26,630</b>	<b>32,445</b>

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed assets are classified in the statement of financial position as other assets.

##### 3.1.9 Concentration risk analysis for financial assets with credit risk exposure

The Bank mainly conducts business in Mainland China, hence the geographical risk is primarily concentrated in Mainland China.

	As at 31 December	
	2021	2020
Sichuan Province	62,395,942	50,284,727
Chongqing	9,002,844	4,467,599
Others	7,529,522	7,326,928
<b>Total</b>	<b>78,928,308</b>	<b>62,079,254</b>



# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## **3 FINANCIAL RISK MANAGEMENT** (continued)

### **3.2 Market risk**

#### **3.2.1 Overview**

The Bank takes the market risks, that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are affected by general or specific market fluctuations and interest rates, credit spreads and equity prices. The Bank separates the market risk into either trading or non-trading.

The market risks arising from trading and non-trading activities are monitored by asset and liability management department. Regular reports are submitted to the Board of Directors and head of each business departments.

In accordance with the requirements of the CBIRC, the Bank categorises its business into either the trading book or the banking book. The trading book consists of positions in financial instruments held either with trading intent or the intent to hedge the position of trading book or banking book. The banking book consists of the financial instruments purchased with surplus funds and other financial instruments that are not captured in trading book.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Market risk (continued)

#### 3.2.2 Interest rate risk

The Bank's interest rate risk mainly arises from maturity mismatching of interest rate repricing of assets and liabilities, and the fluctuation of market interest rates, as well as the adjustments in the interest rate policies made by the People's Bank of China ("PBOC"). On 20 July 2013, PBOC cancelled the lower limit of benchmark interest rates loans dominated in RMB, allowing financial institutions to determine the loan interest rates independently based on commercial principles. PBOC cancelled the upper limit of the benchmark interest rates for deposits on 24 October 2015 and established RMB Loan Prime Rate (LPR) for loan as a new pricing benchmark in 2019. The Bank conducts most of its deposit businesses at benchmark interest rates and conducts most of its loan businesses at LPR published by PBOC. The Bank manages interest rate risk by regularly monitoring repricing maturity gap for interest rate – sensitive assets and liabilities throughout the Bank with the use of gap analysis system, adjusting the proportion of interest – bearing assets at floating rates and fixed rates and adjusting the structure of repricing terms with allocation strategy of assets and liabilities. Consequently, the Bank's interest rate risk is under control.

According to the overall timetable of the LIBOR reform, libors in sterling, euro, Swiss franc and Japanese yen, as well as one week and 2-month libors in US dollars, will be the first ones to cease or lose representativeness on 31 December 2021. The business scale of the Bank's contracts in reference to LIBOR with the above currencies and maturities is relatively small, and the impact of the methods of benchmark transition on interest rate risk is generally under control, which has a relatively limited substantial impact on the operations.

During the reporting period, the Bank closely monitored the interest rate trend, refined management of risk limits, and strengthened comprehensive operations and limit monitoring. In addition, the Bank, by rationally adjusting the loan repricing strategies, reinforced the specific management of price negotiation to maximise its rate of return while keeping its risks under control.

The tables below summarise the Bank's exposures to interest rate risks and present the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.2 Market risk (continued)

##### 3.2.2 Interest rate risk (continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
As at 31 December 2021							
<b>Assets</b>							
Cash and balances with central bank	10,447,902	-	-	-	-	3,389	10,451,291
Due from and placements with banks and other financial institutions	6,908,376	542,013	-	-	-	1,623	7,452,012
Financial investments at fair value through profit or loss	-	-	45,580	6,733,641	1,240,527	1,891,585	9,911,333
Financial investments – fair value through other comprehensive income	869,373	443,530	1,805,061	9,364,281	91,723	260,947	12,834,915
Customer loans	5,081,556	12,252,648	32,434,504	20,847,275	1,399,659	220,550	72,236,192
Financial investments – credit related financial assets	-	-	-	2,539,736	441,999	109,284	3,091,019
Financial investments – amortised cost	37,729	377,316	2,924,182	9,299,227	3,367,607	364,088	16,370,149
Other financial assets	130,555	24,630	56,390	28,371	-	5	239,951
<b>Total financial assets</b>	<b>23,475,491</b>	<b>13,640,137</b>	<b>37,265,717</b>	<b>48,812,531</b>	<b>6,541,515</b>	<b>2,851,471</b>	<b>132,586,862</b>
<b>Liabilities</b>							
Due to central bank	105,381	110,588	2,577,726	-	-	763,636	3,557,331
Due to and placements from banks and other financial institutions	1,510,878	1,250,000	2,465,000	-	-	28,263	5,254,141
Customer deposits	45,475,040	2,948,496	8,742,636	35,973,533	86,717	1,542,099	94,768,521
Debt securities issued	199,643	4,721,760	10,611,173	2,000,000	2,500,000	109,382	20,141,958
Other financial liabilities	11,318	-	206,866	76,208	-	33,954	328,346
<b>Total financial liabilities</b>	<b>47,302,260</b>	<b>9,030,844</b>	<b>24,603,401</b>	<b>38,049,741</b>	<b>2,586,717</b>	<b>2,477,334</b>	<b>124,050,297</b>
<b>Total interest sensitivity gap</b>	<b>(23,826,769)</b>	<b>4,609,293</b>	<b>12,662,316</b>	<b>10,762,790</b>	<b>3,954,798</b>	<b>374,137</b>	<b>8,536,565</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.2 Market risk (continued)

##### 3.2.2 Interest rate risk (continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non- interest bearing	Total
As at 31 December 2020							
<b>Assets</b>							
Cash and balances with central bank	10,486,165	-	-	-	-	3,906	10,490,071
Due from and placements with banks and other financial institutions	4,760,729	-	199,995	-	-	1,224	4,961,948
Financial investments at fair value through profit or loss	-	-	509,749	6,772,931	946,859	8,254,414	16,483,953
Financial investments – fair value through other comprehensive income	298,143	537,922	914,022	5,352,368	813,389	185,087	8,100,931
Customer loans	4,796,108	10,096,169	25,656,507	14,923,153	1,842,535	270,839	57,585,311
Financial investments – credit related financial assets	-	-	526,008	1,426,575	1,697,368	59,314	3,709,265
Financial investments – amortised cost	99,999	211,197	3,144,015	8,611,699	3,348,980	254,938	15,670,828
Other financial assets	134,989	6,324	35,706	9,242	-	279	186,540
<b>Total financial assets</b>	<b>20,576,133</b>	<b>10,851,612</b>	<b>30,986,002</b>	<b>37,095,968</b>	<b>8,649,131</b>	<b>9,030,001</b>	<b>117,188,847</b>
<b>Liabilities</b>							
Due to central bank	-	42,600	1,847,101	-	-	481,630	2,371,331
Due to and placements from banks and other financial institutions	565,326	1,215,000	2,490,000	500,000	-	60,040	4,830,366
Customer deposits	42,676,424	3,314,153	7,946,278	30,144,897	22,894	1,118,458	85,223,104
Debt securities issued	957,939	4,793,532	8,283,819	-	2,500,000	63,200	16,598,490
Other financial liabilities	7,781	-	178,176	45,946	-	23,342	255,245
<b>Total financial liabilities</b>	<b>44,207,470</b>	<b>9,365,285</b>	<b>20,745,374</b>	<b>30,690,843</b>	<b>2,522,894</b>	<b>1,746,670</b>	<b>109,278,536</b>
<b>Total interest sensitivity gap</b>	<b>(23,631,337)</b>	<b>1,486,327</b>	<b>10,240,628</b>	<b>6,405,125</b>	<b>6,126,237</b>	<b>7,283,331</b>	<b>7,910,311</b>

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Market risk (continued)

#### 3.2.3 Sensitivity tests

##### *Interest rate sensitivity test*

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Bank's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Bank's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallelled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument and other equity investments at fair value through other comprehensive held, whose fair value changes are recorded as an element of other comprehensive income.

	Expected changes of net interest income Next twelve months from 31 December	
	2021	2020
+ 100 basis point parallel move in all yield curves	(142,445)	(175,679)
- 100 basis point parallel move in all yield curves	142,445	175,679

	Change of other comprehensive income Next twelve months from 31 December	
	2021	2020
+ 100 basis point parallel move in all yield curves	(275,385)	(213,359)
- 100 basis point parallel move in all yield curves	284,923	265,033

The assumptions do not reflect actions that might be taken under the Bank's capital and interest rate risk management policy to mitigate changes to the Bank's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Bank under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Market risk (continued)

#### 3.2.4 Foreign exchange risk

The main place of business of the Bank is located in China, and the main business is settled in RMB. However, the Bank's foreign currency assets and liabilities still have exchange rate risks. Exchange rate risk arises from adverse exchange rate movements.

The Bank's main principle of controlling exchange rate risks is to match assets and liabilities in different currencies as much as possible and to control exchange rate risks within the limits set by the Bank. The Bank sets risk tolerance limits in accordance with the guiding principles from the risk management committee, relevant regulatory requirements and the assessment of the current environment by the management, and minimises the currency mismatch of assets and liabilities by reasonably arranging the sources and the use of foreign currency funds. The Bank sets strict position limits, risk limits and stop-loss limits for its foreign exchange exposure arising from its trading business.

The following table summarises the distribution of the Bank's exchange rate exposure at the end of the year, and the book value of each foreign currency asset and liability has been converted into RMB amount.

	RMB	HKD	USD	EUR	JPY	Total
As at 31 December 2021						
<b>Assets</b>						
Cash and balances with central bank	10,445,785	507	4,999	-	-	10,451,291
Due from and placements with banks and other financial institutions	6,693,558	315	757,694	149	296	7,452,012
Customer loans (Including discounted bills)	72,192,161	-	44,031	-	-	72,236,192
Financial investments – fair value through profit or loss	9,911,333	-	-	-	-	9,911,333
Financial investments – fair value through other comprehensive income	12,834,915	-	-	-	-	12,834,915
Financial investments – amortised cost	16,339,094	-	31,055	-	-	16,370,149
Financial investments – credit related financial assets	3,091,019	-	-	-	-	3,091,019
Other financial assets	239,951	-	-	-	-	239,951
<b>Total assets</b>	<b>131,747,816</b>	<b>822</b>	<b>837,779</b>	<b>149</b>	<b>296</b>	<b>132,586,862</b>
<b>Liabilities</b>						
Due to central bank	(3,557,331)	-	-	-	-	(3,557,331)
Due to and placements from banks and other financial institutions	(5,254,141)	-	-	-	-	(5,254,141)
Customer deposits	(94,716,348)	(10,710)	(41,463)	-	-	(94,768,521)
Debt securities issued	(20,141,958)	-	-	-	-	(20,141,958)
Other financial liabilities	(328,346)	-	-	-	-	(328,346)
<b>Total liabilities</b>	<b>(123,998,124)</b>	<b>(10,710)</b>	<b>(41,463)</b>	<b>-</b>	<b>-</b>	<b>(124,050,297)</b>
Total exchange rate sensitivity gap	7,749,692	(9,888)	796,316	149	296	8,536,565
Financial guarantee and credit commitments	804,108	-	-	-	-	804,108

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.2 Market risk (continued)

##### 3.2.4 Foreign exchange risk (continued)

	RMB	HKD	USD	EUR	JPY	Total
As at 31 December 2020						
<b>Assets</b>						
Cash and balances with central bank	10,490,058	-	13	-	-	10,490,071
Due from and placements with banks and other financial institutions	4,242,785	2,089	717,074	-	-	4,961,948
Customer loans (Including discounted bills)	57,585,311	-	-	-	-	57,585,311
Financial investments – fair value through profit or loss	16,483,953	-	-	-	-	16,483,953
Financial investments – fair value through other comprehensive income	8,100,931	-	-	-	-	8,100,931
Financial investments – amortised cost	15,670,828	-	-	-	-	15,670,828
Financial investments – credit related financial assets	3,709,265	-	-	-	-	3,709,265
Other financial assets	130,030	-	56,510	-	-	186,540
<b>Total assets</b>	<b>116,413,161</b>	<b>2,089</b>	<b>773,597</b>	<b>-</b>	<b>-</b>	<b>117,188,847</b>
<b>Liabilities</b>						
Due to central bank	(2,371,331)	-	-	-	-	(2,371,331)
Due to and placements from banks and other financial institutions	(4,830,366)	-	-	-	-	(4,830,366)
Customer deposits	(85,221,797)	-	(1,307)	-	-	(85,223,104)
Debt securities issued	(16,598,490)	-	-	-	-	(16,598,490)
Other financial liabilities	(255,245)	-	-	-	-	(255,245)
<b>Total liabilities</b>	<b>(109,277,229)</b>	<b>-</b>	<b>(1,307)</b>	<b>-</b>	<b>-</b>	<b>(109,278,536)</b>
Total exchange rate sensitivity gap	7,135,932	2,089	772,290	-	-	7,910,311
Financial guarantee and credit commitments	3,901,452	-	-	-	-	3,901,452

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.2 Market risk (continued)

#### 3.2.4 Foreign exchange risk (continued)

##### *Exchange rate sensitivity test*

Following table shows the impact on pre-tax profit when foreign exchange rate changes by 1% against RMB exchange rate:

	Anticipated change in pre-tax profit/(loss)	
	31 December 2021	31 December 2020
Up 1%	7,869	7,744
Down 1%	(7,869)	(7,744)

### 3.3 Liquidity risk

#### 3.3.1 Overview

Liquidity risk is the risk that the Bank cannot obtain sufficient funds in time or, with reasonable cost and unable to meet its payment obligations associated with its financial liabilities when they fall due or to meet immediate fund needs. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Bank's objective in liquidity management is to ensure the availability of adequate funding to meet its needs to fund deposits withdrawals and other liabilities as they fall due and to ensure that it is able to meet its obligations to fund loan originations and commitments and to take advantage of new investment opportunities.

The Bank is exposed to daily calls on its available cash resources from current deposits, matured deposits, loan draw downs, guarantees and cash deposit hold as collateral. The Board of Directors set the minimum proportion of funds to be made available to meet such calls and the minimum level of interbank and other borrowing facilities that should be in place to cover different levels of unexpected withdrawals. As at 31 December 2021, 6.00% (31 December 2020: 7.00%) of the Bank's total RMB-denominated deposits must be deposited with the PBOC.

#### 3.3.2 Liquidity risk management process

The Board of Directors and the liquidity risk management committee formulate the policies, strategies, procedures, limits and contingency plans relate to the overall management of liquidity risk according to risk preference. The assets and liabilities management department cooperates with other business department to form a liquidity risk management system.

The Bank proactively applies new technology to enhance the involvement of IT in liquidity risk management. The system monitors the liquidity index and exposure, which form a mechanism in regular, automatic liquidity risk assessment, and arrange the Banking business according to current liquidity exposure. The Bank actively adjusts the assets and liabilities maturity structure, while taking control of the limit of the liquidity risk positively by carrying out performance assessment. The Bank pays constant attention to its liquidity risk management process, enhances and improves liquidity risk related policy timely, eventually achieve its goal in liquidity risk management.



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Liquidity risk (continued)

##### 3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the undiscounted cash flows of the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Overdue	Total
As at 31 December 2021									
<b>Liabilities</b>									
Due to central bank	-	106,062	235,265	3,256,083	-	-	-	-	3,597,410
Due to and placements from banks and other financial institutions	170,985	1,340,618	1,290,639	2,547,839	-	-	-	-	5,350,081
Customer deposits	43,999,127	1,548,778	3,087,228	9,208,464	38,657,075	97,353	-	-	96,598,025
Debt securities issued	-	204,950	4,969,628	11,336,782	2,668,400	2,849,400	-	-	22,029,160
Other financial liabilities	33,954	11,318	-	206,866	76,208	-	-	-	328,346
<b>Total financial liabilities</b>	<b>44,204,066</b>	<b>3,211,726</b>	<b>9,582,760</b>	<b>26,556,034</b>	<b>41,401,683</b>	<b>2,946,753</b>	<b>-</b>	<b>-</b>	<b>127,903,022</b>
<b>Assets</b>									
Cash and balances with central bank	4,589,044	-	-	-	-	-	5,862,247	-	10,451,291
Due from and placements with banks and other financial institutions	271,718	6,643,959	542,448	-	-	-	-	-	7,458,125
Customer loans	-	3,461,387	4,625,634	21,287,686	40,791,944	15,562,394	-	205,021	85,934,066
Financial investments – credit related financial assets	-	-	-	-	3,333,342	632,501	-	-	3,965,843
Financial investments – fair value through profit or loss	-	14,415	918,303	502,870	8,802,003	1,559,648	996	-	11,798,235
Financial investments – FVOCI	-	980,701	459,343	2,386,188	10,964,728	100,363	-	-	14,891,323
Financial investments – amortised cost	-	50,922	477,568	3,261,319	10,728,007	5,109,636	-	75,850	19,703,302
Other financial assets	5	130,555	24,630	56,390	28,371	-	-	-	239,951
<b>Total financial assets</b>	<b>4,860,767</b>	<b>11,281,939</b>	<b>7,047,926</b>	<b>27,494,453</b>	<b>74,648,395</b>	<b>22,964,542</b>	<b>5,863,243</b>	<b>280,871</b>	<b>154,442,136</b>
<b>Net positions</b>	<b>(39,343,299)</b>	<b>8,070,213</b>	<b>(2,534,834)</b>	<b>938,419</b>	<b>33,246,712</b>	<b>20,017,789</b>	<b>5,863,243</b>	<b>280,871</b>	<b>26,539,114</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Liquidity risk (continued)

##### 3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Overdue	Total
As at 31 December 2020									
<b>Liabilities</b>									
Due to central bank	-	-	43,411	2,370,041	-	-	-	-	2,413,452
Due to and placements from banks and other financial institutions	115,583	465,860	1,250,262	2,600,925	527,000	-	-	-	4,959,630
Customer deposits	41,134,462	1,718,739	3,611,227	9,029,108	34,072,354	28,389	-	-	89,594,279
Debt securities issued	-	997,785	5,040,538	8,782,954	643,000	2,978,000	-	-	18,442,277
Other financial liabilities	23,342	7,781	-	178,176	45,946	-	-	-	255,245
<b>Total financial liabilities</b>	<b>41,273,387</b>	<b>3,190,165</b>	<b>9,945,438</b>	<b>22,961,204</b>	<b>35,288,300</b>	<b>3,006,389</b>	<b>-</b>	<b>-</b>	<b>115,664,883</b>
<b>Assets</b>									
Cash and balances with central bank	4,576,635	-	-	-	-	-	5,913,436	-	10,490,071
Due from and placements with banks and other financial institutions	798,230	3,965,997	-	208,854	-	-	-	-	4,973,081
Financial investments – fair value through profit or loss	-	12,300	8,045,900	1,121,733	8,579,069	1,100,050	13,050	-	18,872,102
Financial investments – FVOCI	-	348,675	542,254	1,328,930	6,723,884	1,207,111	-	-	10,150,854
Customer loans	-	3,031,571	3,859,050	17,756,969	30,239,839	19,214,488	-	301,574	74,403,491
Financial investments – credit related financial assets	-	-	73,719	741,213	2,261,258	1,856,347	-	-	4,932,537
Financial investments – amortised cost	-	151,961	385,122	3,921,427	10,359,867	4,207,065	-	-	19,025,442
Other financial assets	279	134,989	6,324	35,706	9,242	-	-	-	186,540
<b>Total financial assets</b>	<b>5,375,144</b>	<b>7,645,493</b>	<b>12,912,369</b>	<b>25,114,832</b>	<b>58,173,159</b>	<b>27,585,061</b>	<b>5,926,486</b>	<b>301,574</b>	<b>143,034,118</b>
<b>Net positions</b>	<b>(35,898,243)</b>	<b>4,455,328</b>	<b>2,966,931</b>	<b>2,153,628</b>	<b>22,884,859</b>	<b>24,578,672</b>	<b>5,926,486</b>	<b>301,574</b>	<b>27,369,235</b>

Assets available to repay all of the liabilities include cash, balances with central bank, items in the course of collection and treasury; due from other banks and financial institutions; and customer loans. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain debt securities have been pledged for liabilities. The Bank would also be able to meet unexpected net cash outflows by selling securities, using credit commitments from other financial institutions, early termination of borrowings from other financial institutions and repurchase agreements and using the mandatory reserve deposits upon the PBOC's approval.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Liquidity risk (continued)

##### 3.3.4 Maturity analysis

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Overdue	Total
As at 31 December 2021									
<b>Assets</b>									
Cash and balances with central bank	4,589,044	-	-	-	-	-	5,862,247	-	10,451,291
Due from and placements with banks and other financial institutions	271,718	6,638,132	542,162	-	-	-	-	-	7,452,012
Customer loans	-	3,447,969	4,576,799	20,363,488	34,622,297	9,020,618	-	205,021	72,236,192
Financial investments – credit related financial assets	-	-	-	-	2,647,986	443,033	-	-	3,091,019
Financial investments – fair value through profit or loss	-	13,695	908,598	163,956	7,435,508	1,388,580	996	-	9,911,333
Financial investments – FVOCI	-	955,721	450,962	1,972,228	9,364,281	91,723	-	-	12,834,915
Financial investments – amortised cost	-	47,197	451,635	3,023,213	9,408,994	3,363,260	-	75,850	16,370,149
Other financial assets	5	130,555	24,630	56,390	28,371	-	-	-	239,951
<b>Total financial assets</b>	<b>4,860,767</b>	<b>11,233,269</b>	<b>6,954,786</b>	<b>25,579,275</b>	<b>63,507,437</b>	<b>14,307,214</b>	<b>5,863,243</b>	<b>280,871</b>	<b>132,586,862</b>
<b>Liabilities</b>									
Due to central bank	-	105,381	234,763	3,217,187	-	-	-	-	3,557,331
Due to and placements from banks and other financial institutions	170,962	1,340,217	1,264,605	2,478,357	-	-	-	-	5,254,141
Customer deposits	44,011,568	1,537,232	3,034,722	9,021,953	37,074,061	88,985	-	-	94,768,521
Debt securities issued	-	199,643	4,770,240	10,625,875	2,046,200	2,500,000	-	-	20,141,958
Other financial liabilities	33,954	11,318	-	206,866	76,208	-	-	-	328,346
<b>Total financial liabilities</b>	<b>44,216,484</b>	<b>3,193,791</b>	<b>9,304,330</b>	<b>25,550,238</b>	<b>39,196,469</b>	<b>2,588,985</b>	<b>-</b>	<b>-</b>	<b>124,050,297</b>
<b>Net liquidity gap</b>	<b>(39,355,717)</b>	<b>8,039,478</b>	<b>(2,349,544)</b>	<b>29,037</b>	<b>24,310,968</b>	<b>11,718,229</b>	<b>5,863,243</b>	<b>280,871</b>	<b>8,536,565</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Liquidity risk (continued)

##### 3.3.4 Maturity analysis (continued)

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Overdue	Total
As at 31 December 2020									
<b>Assets</b>									
Cash and balances with central bank	4,576,635	-	-	-	-	-	5,913,436	-	10,490,071
Due from and placements with banks and other financial institutions	798,230	3,963,297	-	200,421	-	-	-	-	4,961,948
Financial investments – fair value through profit or loss	-	12,030	8,044,516	694,567	6,772,931	946,859	13,050	-	16,483,953
Financial investments – FVOCI	-	345,634	540,074	1,049,466	5,352,368	813,389	-	-	8,100,931
Customer loans	-	2,833,563	3,615,189	16,140,079	24,351,217	10,343,689	-	301,574	57,585,311
Financial investments – credit related financial assets	-	-	-	527,348	1,429,431	1,752,486	-	-	3,709,265
Financial investments – amortised cost	-	143,373	266,567	3,237,862	8,704,705	3,318,321	-	-	15,670,828
Other financial assets	279	134,989	6,324	35,706	9,242	-	-	-	186,540
<b>Total financial assets</b>	<b>5,375,144</b>	<b>7,432,886</b>	<b>12,472,670</b>	<b>21,885,449</b>	<b>46,619,894</b>	<b>17,174,744</b>	<b>5,926,486</b>	<b>301,574</b>	<b>117,188,847</b>
<b>Liabilities</b>									
Due to central bank	-	-	42,455	2,328,876	-	-	-	-	2,371,331
Due to and placements from banks and other financial institutions	115,583	465,366	1,243,351	2,505,653	500,413	-	-	-	4,830,366
Customer deposits	41,133,046	1,612,400	3,396,836	8,167,160	30,890,499	23,163	-	-	85,223,104
Debt securities issued	-	957,938	4,842,030	8,298,522	-	2,500,000	-	-	16,598,490
Other financial liabilities	23,342	7,781	-	178,176	45,946	-	-	-	255,245
<b>Total financial liabilities</b>	<b>41,271,971</b>	<b>3,043,485</b>	<b>9,524,672</b>	<b>21,478,387</b>	<b>31,436,858</b>	<b>2,523,163</b>	<b>-</b>	<b>-</b>	<b>109,278,536</b>
<b>Net liquidity gap</b>	<b>(35,896,827)</b>	<b>4,389,401</b>	<b>2,947,998</b>	<b>407,062</b>	<b>15,183,036</b>	<b>14,651,581</b>	<b>5,926,486</b>	<b>301,574</b>	<b>7,910,311</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 Liquidity risk (continued)

##### 3.3.5 Off-balance-sheet items

The table below lists the off-balance-sheet statement items of the Bank according to their remaining term to maturity. The financial commitments are listed by the earliest maturity date in its notional principal.

As at 31 December 2021	Up to 1 year	1-5 years	Over 5 years	Total
Acceptances	581,625	–	–	581,625
Guarantees	2,777	20,666	–	23,443
Letter of credit	200,000	–	–	200,000
Capital expenditure commitments	117,866	80,554	–	198,420
<b>Total</b>	<b>902,268</b>	<b>101,220</b>	<b>–</b>	<b>1,003,488</b>

As at 31 December 2020	Up to 1 year	1-5 years	Over 5 years	Total
Acceptances	3,548,104	–	–	3,548,104
Guarantees	188,158	165,190	–	353,348
Capital expenditure commitments	66,129	48,929	–	115,058
<b>Total</b>	<b>3,802,391</b>	<b>214,119</b>	<b>–</b>	<b>4,016,510</b>

The Bank has no irrevocable loan commitments.

#### 3.4 Fair values of financial assets and liabilities

##### (a) Fair value hierarchy

IFRS 7 specifies the levels of valuation techniques that based on the inputs of valuation techniques that are observable or not. The observable inputs reflect the market data obtained from independent sources. These two inputs lead to the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities, debt instruments in house (e.g. Hong Kong Stock Exchange).
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly. This level includes the debt instruments dealing in the interbank market. For example, the input parameters of bond yield curves and counterparty credit risk from China bond information website and Bloomberg.
- Level 3 – Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs). This level includes equity instruments and structural financial instruments.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair values of financial assets and liabilities (continued)

##### (a) Fair value hierarchy (continued)

The Bank determines the fair value of the financial instruments by valuation techniques when it is difficult to obtain quotations from the open market.

The main parameters of valuation techniques used in financial instruments includes the price of the bond, interest rate, exchange rate, stock and equity price, volatility level, correlation, prepayment rates, and the credits spreads of counterparty. All of these parameters can be observed and obtained from the open market.

The measurement of the fair value of wealth management products purchased from financial institutions, joint-investment projects and unlisted equity (private equity) held by the Bank adopts unobservable parameters that may have significant impact on the valuations. Thus, the Bank would better classify these financial instruments to the third level. Management has assessed the influence of macroeconomic factors, the valuation by external appraiser, loss coverage, and many other parameters, so as to examine the correlation between the fair value of third level financial instruments and the above parameters. The Bank has established an internal control system to supervise the exposure of the financial instrument above.

Fair values of assets and liabilities are as below.

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Customer loans – discounted bills	–	3,612,243	–	3,612,243
Financial investments – fair value through profit or loss	1,560,411	8,293,790	57,132	9,911,333
Financial investments – FVOCI	–	12,834,915	–	12,834,915
<b>Total</b>	<b>1,560,411</b>	<b>24,740,948</b>	<b>57,132</b>	<b>26,358,491</b>

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Customer loans – discounted bills	–	4,778,348	–	4,778,348
Financial investments – fair value through profit or loss	1,946,826	8,401,872	6,135,255	16,483,953
Financial investments – FVOCI	–	8,100,931	–	8,100,931
<b>Total</b>	<b>1,946,826</b>	<b>21,281,151</b>	<b>6,135,255</b>	<b>29,363,232</b>

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair values of financial assets and liabilities (continued)

##### (a) Fair value hierarchy (continued)

##### *Movement of Level-3 valuation methodology*

	Financial investments – fair value through profit or loss
<b>Balance at 1 January 2021</b>	<b>6,135,255</b>
Total gains or losses	
– Current profit and loss	1,350
Additions	2,230,527
Disposals and settlement	(8,310,000)
<b>Balance at 31 December 2021</b>	<b>57,132</b>
Total gains for the year included in profit and loss for financial assets held as at 31 December 2021	<b>73,246</b>
	Financial investments – fair value through profit or loss
<b>Balance at 1 January 2020</b>	<b>30,996</b>
Total gains or losses	
– Current profit and loss	4,259
Additions	12,400,000
Disposals and settlement	(6,300,000)
<b>Balance at 31 December 2020</b>	<b>6,135,255</b>
Total gains for the year included in profit and loss for financial assets held as at 31 December 2020	<b>30,503</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair values of financial assets and liabilities (continued)

##### (a) Fair value hierarchy (continued)

##### *Movement of Level-3 valuation methodology (continued)*

Quantitative information about the significant unobservable inputs used in the fair value measurement of Level 3 for the year ended 31 December 2021 and 31 December 2020 presented as follows:

As at 31 December 2021	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range of discount rate/Net assets value
Financial investments – fair value through profit or loss				
– Equity investment <sup>(i)</sup>	996	Recent transaction prices	Not applicable	Not applicable
– Equity investment	56,136	Net assets analysis	Net assets	1.3800

As at 31 December 2020	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range of discount rate/Net assets value
Financial investments – fair value through profit or loss				
– Equity investment <sup>(i)</sup>	996	Recent transaction prices	Not applicable	Not applicable
– Wealth management products purchased from financial institutions	6,104,208	Discounted cash flow analysis	Risk-adjusted discount rate	1.80%-3.58%
– Joint-investment projects	30,051	Net assets analysis	Net assets	1.0017

- (i) As at 31 December 2021, unlisted equity investments using recent transaction prices without adjustment amounted to RMB996 thousand (As at 31 December 2020: RMB996 thousand).



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.4 Fair values of financial assets and liabilities (continued)

##### (b) Financial instruments not measured at fair value

Financial assets and liabilities that are not measured at fair value in the statement of financial position mainly include: balances with central bank, due from other banks and financial institutions, financial assets held under resale agreements, customer loans, credit related financial assets, financial investments – amortised cost, due to other banks and financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued. Except for the following financial assets and financial liabilities, the carrying amounts of financial assets and liabilities that are not measured at fair value approximate to the fair value.

The table below summarises the financial assets and liabilities that have difference between carrying amounts (include accrued interest) and fair value as at 31 December 2021 and 2020.

	As at 31 December 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial investments					
– amortised cost	16,370,149	–	9,835,059	6,861,015	16,696,074
Financial investments					
– credit related financial assets	3,091,019	–	–	3,232,836	3,232,836
<b>Financial liabilities</b>					
Debt securities issued	20,141,958	–	20,133,692	–	20,133,692

	As at 31 December 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial investments					
– amortised cost	15,670,828	–	7,388,233	8,423,786	15,812,019
Financial investments					
– credit related financial assets	3,709,265	–	–	3,900,523	3,900,523
<b>Financial liabilities</b>					
Debt securities issued	16,598,490	–	16,543,246	–	16,543,246

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 FINANCIAL RISK MANAGEMENT (continued)

### 3.4 Fair values of financial assets and liabilities (continued)

#### (b) Financial instruments not measured at fair value (continued)

##### *Financial investments – credit related financial assets*

The fair value for financial investments – credit related financial assets is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

##### *Financial investments – amortised cost*

The fair value for trust and asset management plans measured at amortised cost is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity.

The fair value for bonds measured at amortised cost is based on market prices or broker/dealer price quotations. Where the information is not available, fair value is estimated using quoted market prices for securities with similar credit risk, maturity and yield characteristics.

##### *Debt securities issued*

The fair value of fixed interest-bearing debt securities issued is calculated using a discounted cash flow model which is based on a current yield curve for the bonds with similar remaining term to maturity.

Other than above, the carrying values of those financial assets and liabilities not presented at their fair value in the statement of financial position are a reasonable approximation of their fair values. Those financial assets and liabilities include balances with central bank, due from other banks and financial institutions, customer loans, due to other banks and financial institutions, customer deposits, etc. and their fair value is measured using a discounted future cash flow model.

### 3.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the Banking markets where the entities within the Bank operate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.5 Capital management (continued)

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50% respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Bank is fully compliant with these legal and regulatory requirements.

The capital adequacy ratio of 2021 and 2020 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at 31 December	
	2021	2020
<b>Core capital:</b>	<b>13,297,005</b>	12,399,788
<b>Core Tier 1 Capital total</b>	<b>8,005,333</b>	7,252,125
<b>Other Tier 1 Capital total</b>	<b>1,696,824</b>	1,696,824
<b>Tier 2 Capital total</b>	<b>3,594,848</b>	3,450,839
<b>Net capital</b>	<b>13,297,005</b>	12,399,788
<b>Total Net Core Tier 1 Capital</b>	<b>8,005,333</b>	7,252,125
<b>Total Net Other Tier 1 Capital</b>	<b>1,696,824</b>	1,696,824
<b>Net Tier 1 Capital</b>	<b>9,702,157</b>	8,948,949
Total risk-weighted assets after applying capital base	<b>99,502,890</b>	89,382,809
<b>Core Tier 1 Capital adequacy ratio</b>	<b>8.05%</b>	8.11%
<b>Tier 1 Capital adequacy ratio</b>	<b>9.75%</b>	10.01%
<b>Capital adequacy ratio</b>	<b>13.36%</b>	13.87%

#### 3.6 Fiduciary activities

The Bank provides custody and trustee services to third parties. Those assets that are held in a fiduciary capacity are not included in the condensed statement of financial position.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### a) ECL allowance of financial assets – IFRS 9

The Bank has adopted IFRS 9 on 1 January 2018 to measure and account for financial instruments. For customer loans, credit related financial assets and financial investments measured at amortised cost, the measurement of expected credit losses uses complex models and a number of assumptions. These models and assumptions relate to future macroeconomic conditions and borrowers' credit behavior (e.g. the probability of default and the corresponding losses).

According to the requirements of accounting standards, the measurement of expected credit losses involves many critical judgements. For example:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Selection of economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;
- The estimated future cash flows for loans and advances to customers and financial investments at amortised cost for which DCF model was used to calculate ECL.

For measurement of the expected credit loss of financial assets, please refer to Note 3.1.4.

#### b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation models (e.g. discounted cash flow model). To the extent practical, only observable data is used in the discounted cash flow model, such as interest rate yield curves. However, areas such as credit risks (from both parties of transactions), market volatilities and correlations require the management to make estimates. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of financial instruments.

#### c) Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank has made estimates for items of uncertainty and application of new tax legislation taking into account existing tax legislation and past practice. Where the final tax outcomes of these matters are different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made (Note 13).

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

#### d) Consolidation of structured entity

Structured entity, refers that when judging the control side of the entity, the key elements to consider are the contracts which the entities' main activities are based on or the corresponding arrangements rather than the voting rights or similar rights (for example: the voting rights are just associated with administrative matters only).

When the Bank acts as asset manager in a structured entity, the Bank needs to identify whether it controls the entity. There are three considerations: (i) Power to the invested entity; (ii) Exposure to variable remuneration of the invested entity; and (iii) The ability to use the power to influence the amount of remuneration of the invested entity. If there is any indication that the control elements of the above have changed, the Bank will reassess its control over the invested entity. During the evaluation, the Bank considers many factors, such as: the scope of asset manager's decision-making power, rights held by other parties, commission levels as management service provider, and any other arrangements (such as direct investment) which could affect the amount of remuneration.

### 5 NET INTEREST INCOME

	Year ended 31 December	
	2021	2020
<b>Interest income</b>		
Balances with central bank	112,748	99,973
Due from and placements with banks and other financial institutions	130,175	141,449
Customer loans	4,826,397	3,829,135
Financial investments – credit related financial assets	237,845	304,017
Financial investments	1,642,834	1,687,366
<b>Subtotal</b>	<b>6,949,999</b>	<b>6,061,940</b>
Include: interest income generated from impaired financial assets.	4,188	21,095
<b>Interest expenses</b>		
Due to central bank	(40,544)	(23,504)
Due to and placements form banks and other financial institutions	(169,516)	(181,743)
Customer deposits	(3,095,875)	(2,429,874)
Debt securities issued	(701,643)	(667,554)
Other interest expense	(4,217)	(2,823)
<b>Subtotal</b>	<b>(4,011,795)</b>	<b>(3,305,498)</b>
<b>Net interest income</b>	<b>2,938,204</b>	<b>2,756,442</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 6 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2021	2020
<b>Fee and commission income</b>		
Commission income from settlement services	2,339	1,687
Commission income from bank card services	2,023	1,882
Commission income from agency services	975	1,247
Commission income from guarantees and credit commitments	5,840	3,416
Commission income from wealth management agency service	55,790	2,149
Commission income from investment banking services	–	817
Other commission income	63	48
<b>Total</b>	<b>67,030</b>	<b>11,246</b>
<b>Fee and commission expenses</b>	<b>(9,610)</b>	<b>(6,161)</b>
<b>Net fee and commission income</b>	<b>57,420</b>	<b>5,085</b>

### 7 NET GAINS ON TRADING ACTIVITIES

	Year ended 31 December	
	2021	2020
Debt securities	575,866	249,858
Foreign exchange losses	(19,169)	(1,754)
<b>Total</b>	<b>556,697</b>	<b>248,104</b>

### 8 NET GAINS ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2021	2020
Net gains arising from derecognition of FVOCI	2,640	31,181
Net gains of financial assets at FVPL	206,908	85,880
<b>Total</b>	<b>209,548</b>	<b>117,061</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 9 OTHER OPERATING INCOME

	Year ended 31 December	
	2021	2020
Net gains on disposal of foreclosed assets	1,898	746
Net (losses)/gains on disposal of fixed assets	(703)	264
Incentives and subsidies	4,012	6,532
Liquidated damages income	1,146	13,521
Rental income from investment properties	3,405	4,014
Other miscellaneous income	4,692	2,951
<b>Total</b>	<b>14,450</b>	<b>28,028</b>

### 10 OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
Staff costs (including directors and supervisors' emoluments (allowance inclusive)) (1)	774,136	644,912
Business and administrative expenses	432,381	258,469
Depreciation and amortisation	180,806	175,895
Tax and surcharges	50,589	38,022
Professional service fees	30,497	33,986
Expenditures on public welfare donations	15,300	5,464
Rental fees	2,909	444
Auditor's remuneration	2,920	2,840
Other business expenses	18,252	16,634
<b>Total</b>	<b>1,507,790</b>	<b>1,176,666</b>

#### (1) Staff Costs

	Year ended 31 December	
	2021	2020
Salary and bonus	544,492	487,974
Defined contribution plans <sup>(a)</sup>	76,044	39,488
Other social security and benefit costs	48,021	35,282
Housing funds	32,615	24,958
Staff welfare	53,874	40,327
Staff education and labour union expenses	19,090	16,883
<b>Total</b>	<b>774,136</b>	<b>644,912</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 10 OPERATING EXPENSES (continued)

#### (1) Staff Costs (continued)

##### (a) Defined contribution plans

The Bank's defined contribution plans are mainly basic pension insurance, enterprise annuity and unemployment insurance paid for employees.

Employees who retire after 8 November 2016 can voluntarily participate in an annuity plan set up by the Bank pursuant to related state corporate annuity regulations. The Bank contributes to the annuity plan based on certain percentage of the employees' gross salary of previous year and the contribution is recognised in profit or loss as incurred.

The amount recognised in profit or loss is as follows:

	For the year ended 31 December	
	2021	2020
Expenses incurred for retirement benefit plans and unemployment insurance	36,853	4,473
Expenses incurred for corporate annuity plan	39,191	35,015
<b>Total</b>	<b>76,044</b>	<b>39,488</b>

The amount payable at the end of the year is as follows:

	As at 31 December	
	2021	2020
Statement of financial position obligations for:		
Expenses incurred for retirement benefit plans and unemployment insurance	2,307	1,472
Expenses incurred for corporate annuity plan	156	4
<b>Total</b>	<b>2,463</b>	<b>1,476</b>



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 11 DIRECTORS AND SUPERVISORS' EMOLUMENTS (ALLOWANCE INCLUSIVE)

Top five highest paid individuals' remunerations are shown as below:

	Year ended 31 December	
	2021	2020
Salaries, allowance and benefits	7,090	5,673
Discretionary bonuses	12,805	16,193
Contribution to pension schemes	89	83
	<b>19,984</b>	<b>21,949</b>

The range of senior managements and individuals' remuneration is shown as below:

	Number of individuals	
	Year ended 31 December	
	2021	2020
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	–	–
HK\$4,000,001 – HK\$4,500,000	1	1
HK\$4,500,001 – HK\$5,000,000	3	1
HK\$5,000,001 and above	1	3
	<b>5</b>	<b>5</b>

#### Five highest paid individuals

For the year ended 31 December 2021, the five highest paid individuals in the Bank are all marketing management (2020: Same).

The Bank does not pay any remuneration to any director, supervisor or five individuals with the highest remuneration to compensate them for bonuses or resignations to join or upon joining the Bank.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 11 DIRECTORS AND SUPERVISORS' EMOLUMENTS (ALLOWANCE INCLUSIVE) (continued)

In accordance with regulations authorised by relevant authorities in the PRC, the compensation package for certain directors and supervisors for the current year have not been finalised. Management of the Bank believes that difference in emoluments will not have significant impact on the financial statements of the Bank for the year ended 31 December 2021. The disclosed amount of remuneration is the amount paid in current year, including the emolument of the previous year deferred to the current year.

Details of the directors' and supervisors' emoluments for the year ended 31 December 2021 are as follows:

Name	Fees	Salaries, allowance and benefits	Discretionary bonuses	Contribution to pension schemes	Total
<b>Executive directors</b>					
You Jiang	-	431	817	18	1,266
Xu Xianzhong <sup>(1)</sup>	-	215	627	9	851
Liu Shirong	-	432	870	18	1,320
<b>Non-executive directors</b>					
Gu Mingan	297	-	-	-	297
Huang Yongqing	295	-	-	-	295
Tang Baoqi	297	-	-	-	297
Ye Changqing	297	-	-	-	297
Xiong Guoming	27	-	-	-	27
Liu Qi	6	-	-	-	6
Dai Zhiwei	4	-	-	-	4
Pan Lina	8	-	-	-	8
Liu Anyuan	23	-	-	-	23
Zhong Jin	251	-	-	-	251
<b>Supervisors</b>					
Yuan Shihong	-	419	839	18	1,276
Chen Yong	-	253	604	18	875
Liu Yongli	-	240	506	18	764
Guo Bing	86	-	-	-	86
Duan Xuebin	86	-	-	-	86
	1,677	1,990	4,263	99	8,029

(1) On 7 June 2021, the Board announced that the resignation of Mr. Xu as an executive director, president of the Bank and a member of CRP committee was due to personal reasons.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 11 DIRECTORS AND SUPERVISORS' EMOLUMENTS (ALLOWANCE INCLUSIVE) (continued)

Details of the directors' and supervisors' emoluments for the year ended 31 December 2020 are as follows:

Name	Fees	Salaries, allowance and benefits	Discretionary bonuses	Contribution to pension schemes	Total
<b>Executive directors</b>					
You Jiang	–	375	760	17	1,152
Xu Xianzhong	–	375	769	17	1,161
Liu Shirong	–	360	710	17	1,087
<b>Non-executive directors</b>					
Gu Mingan	333	–	–	–	333
Huang Yongqing	330	–	–	–	330
Tang Baoqi	333	–	–	–	333
Ye Changqing	332	–	–	–	332
Xiong Guoming	28	–	–	–	28
Liu Qi	7	–	–	–	7
Dai Zhiwei	6	–	–	–	6
Pan Lina	9	–	–	–	9
Liu Anyuan	10	–	–	–	10
Zhong Jin <sup>(1)</sup>	21	–	–	–	21
Jiang Bo <sup>(1)</sup>	–	–	–	–	–
<b>Supervisors</b>					
Yuan Shihong	–	360	716	17	1,093
Chen Yong	–	254	524	17	795
Liu Yongli	–	252	505	17	774
Guo Bing	74	–	–	–	74
Duan Xuebin	88	–	–	–	88
	1,571	1,976	3,984	102	7,633

- (1) At the 2019 annual general meeting of shareholders held on 26 May 2020, Zhong Jin was elected as independent non-executive director of the Bank. The director has been performing his duty since 30 November 2020. Jiang Bo no longer served as non-executive director since July 2020.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 11 DIRECTORS AND SUPERVISORS' EMOLUMENTS (ALLOWANCE INCLUSIVE) (continued)

The remuneration shown above represents remuneration received from the Bank by these directors in their capacity as employees of the Bank.

Emolument waived by directors during each of the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
Liu Qi	20	20
Dai Zhiwei	20	20
Pan Lina	20	20
Jiang Bo	-	3
<b>Total</b>	<b>60</b>	<b>63</b>

During each of the years ended 31 December 2021 and 2020, no emoluments were paid by the Bank to the Directors as an inducement to join the Bank or as severance compensation.

### (a) Directors' retirement benefits

There is no retirement benefits paid to the directors during the year ended 31 December 2021 by defined contribution pension plans operated by the Bank. No other retirement benefits were paid to the directors in respect of their other services in connection with the management of the Bank other than those disclosed above (2020: same).

### (b) Directors' termination benefits

None of the directors received or will receive any termination benefits during each of the years ended 31 December 2021 and 31 December 2020.

### (c) Consideration provided to third parties for making available directors' services

During each of years ended 31 December 2021 and 31 December 2020, the Bank did not pay any consideration to any third parties for making available the services of themselves as directors of the Bank.

### (d) Directors' material interests in transactions, arrangements or contracts

In addition to the transactions disclosed in other parts of the notes to prior financial information, the directors of the Bank did not directly or indirectly have significant interests in any other major transactions, arrangements and contracts made by the Bank during the end of the performance record period or at any time during the period.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 12 EXPECTED CREDIT LOSSES/OTHER ASSETS IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
ECL for customer loans at amortised cost (Note 17(b))	1,029,131	726,921
ECL for customer loans – FVOCI (Note 17(b))	69,691	51,056
ECL for financial investments – credit related financial assets (Note 18)	(9,284)	185,445
ECL for financial investments – amortised cost (Note 21)	141,166	162,843
ECL for financial investments – FVOCI (Note 20)	116,409	115,107
ECL for financial assets held under resale agreements, due from other banks and financial institutions	(310)	(563)
ECL for guarantee commitments	(14,623)	(930)
<b>Total</b>	<b>1,332,180</b>	<b>1,239,879</b>

	Year ended 31 December	
	2021	2020
Other assets impairment losses <sup>(1)</sup> (Note 25(d))	5,792	2,362

(1) Other assets impairment losses is the impairment losses for foreclosed assets.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 13 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax	<b>387,659</b>	432,765
Deferred income tax (Note 24)	<b>(187,610)</b>	(268,589)
<b>Total</b>	<b>200,049</b>	164,176

Current income tax is calculated at the statutory tax rate of 25% based on the taxable income of estimated assessable profit of the Bank for the respective year as stipulated in PRC tax laws.

The difference between the actual income tax charge in the profit or loss and the amounts which would result from applying the enacted tax rate 25% (2020: 25%) to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	<b>934,306</b>	740,250
Tax calculated at a tax rate of 25%	<b>233,577</b>	185,063
Tax effect arising from non-taxable income (a)	<b>(50,880)</b>	(41,735)
Tax effect of expenses that are not deductible for tax purposes (b)	<b>17,352</b>	20,848
<b>Income tax expense</b>	<b>200,049</b>	164,176

- (a) The Bank's non-taxable income mainly represents interest income arising from government bonds, local government bonds and investment return on monetary funds, which are non-taxable in accordance with the PRC tax laws.
- (b) The Bank's expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses etc., which exceed the tax deduction limits pursuant to the PRC tax laws.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 14 BASIC AND DILUTED EARNINGS PER SHARE

- (a) Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2021	2020
Net profit attributable to shareholders of the Bank (RMB'000)	<b>734,257</b>	576,074
Weighted average number of ordinary shares issued ('000) <sup>(i)</sup>	<b>2,717,752</b>	2,717,752
Basic earnings per share (in RMB) <sup>(i)</sup>	<b>0.24</b>	0.21

- (i) Since the Bank's capital reserve were converted into share capital in 2021, the total share capital of the Bank were changed from RMB2,264,793,000 to RMB2,717,752,000. According to the requirements of the International Financial Reporting Standards, the comparative data of weighted average number of ordinary shares and basic earnings per share have been restated.

On 14 January 2019, the Bank completed its over-allotment of 81,860,000 H shares. After this issue, the share capital of the Bank is RMB2,264,793,385, divided into 2,264,793,385 shares of RMB1 each, including 627,600,000 H shares.

The Bank issued non-cumulative perpetual bonds on 18 March 2020 and 11 June 2020 under the terms and conditions as detailed in Note 31.1 Perpetual Bonds. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has declared distributions on perpetual bonds of RMB95,100 thousand for the year ended 31 December 2021.

Please refer to Note 30 about the changes in share capital.

### (b) Diluted earnings per share

For the years ended 31 December 2021 and 2020, there was no potential diluted ordinary shares, so the diluted earnings per share was the same as the basic earnings per share.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 15 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December	
	2021	2020
Cash	91,930	79,640
Mandatory reserve deposits with central bank (a)	5,862,248	5,913,436
Surplus reserve deposits with central bank	4,167,263	4,212,815
Fiscal deposits with central bank	326,461	280,274
Accrued interest	3,389	3,906
<b>Total</b>	<b>10,451,291</b>	<b>10,490,071</b>

- (a) The Bank is required to place mandatory reserve deposits and mandatory reserve for foreign exchange with the People's Bank of China ("PBOC"). These mandatory reserves are not available for use in the daily business of the Bank.

As at 31 December 2021 and 31 December 2020, the mandatory reserve deposits rates of the Bank are as follows:

	As at 31 December	
	2021	2020
Mandatory reserve rate for deposits denominated in RMB	6.00%	7.00%

Surplus reserve deposits are maintained with central bank mainly for liquidity purpose.



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 16 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Reverse repurchase agreements – securities	6,477,545	3,663,045
Due from banks and other financial institutions	973,446	1,097,952
Placements with banks and other financial institutions	12,131	212,770
Less: ECL allowance	(12,733)	(13,043)
Accrued interest	1,623	1,224
<b>Total</b>	<b>7,452,012</b>	<b>4,961,948</b>

### 17 CUSTOMER LOANS

#### (a) Customer loans

	As at 31 December	
	2021	2020
<b>Customer loans at amortised cost</b>		
Corporate loans	60,873,007	46,850,100
Personal loans	10,167,490	7,724,429
Accrued interest	220,550	270,839
Gross amount of loans at amortised cost	71,261,047	54,845,368
Less: ECL allowance	(2,637,098)	(2,038,405)
Net customer loans at amortised cost	68,623,949	52,806,963
<b>Customer loans – FVOCI</b>		
Discounted bills – FVOCI	3,612,243	4,778,348
Net customer loans – FVOCI	3,612,243	4,778,348
Net customer loans	72,236,192	57,585,311

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (b) Movements on ECL allowance

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loss allowance as at 1 January 2021</b>	<b>1,045,114</b>	<b>109,368</b>	<b>702,804</b>	<b>1,857,286</b>
New financial assets originated or purchased	573,730	-	-	573,730
Remeasurement	(118,186)	410,441	374,985	667,240
Repayment	(298,422)	(15,872)	(36,913)	(351,207)
Written-offs and disposals	-	-	(448,497)	(448,497)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	<i>(35,207)</i>	<i>35,207</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 1 to Stage 3</i>	<i>(14,659)</i>	<i>-</i>	<i>14,659</i>	<i>-</i>
<i>Transfer from Stage 2 to Stage 3</i>	<i>-</i>	<i>(19,395)</i>	<i>19,395</i>	<i>-</i>
<i>Transfer from Stage 3 to Stage 2</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 2 to Stage 1</i>	<i>2,741</i>	<i>(2,741)</i>	<i>-</i>	<i>-</i>
<i>Transfer from Stage 3 to Stage 1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Recoveries of loans written-off in previous years	-	-	11,272	11,272
Unwinding of discount	-	-	(3,662)	(3,662)
<b>Loss allowance as at 31 December 2021</b>	<b>1,155,111</b>	<b>517,008</b>	<b>634,043</b>	<b>2,306,162</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (b) Movements on ECL allowance (continued)

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loss allowance as at 1 January 2021</b>	<b>96,514</b>	<b>36,605</b>	<b>48,000</b>	<b>181,119</b>
New financial assets originated or purchased	166,853	–	–	166,853
Remeasurement	8,171	22,223	41,096	71,490
Repayment	(75,664)	(14,145)	(9,166)	(98,975)
Written-off	–	–	(8,178)	(8,178)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,222)	1,222	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(1,256)	–	1,256	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(17,216)	17,216	–
<i>Transfer from Stage 3 to Stage 2</i>	–	1,026	(1,026)	–
<i>Transfer from Stage 2 to Stage 1</i>	1,201	(1,201)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	746	–	(746)	–
Recoveries of loans written-off in previous years	–	–	15,194	15,194
Unwinding of discount	–	–	3,433	3,433
<b>Loss allowance as at 31 December 2021</b>	<b>195,343</b>	<b>28,514</b>	<b>107,079</b>	<b>330,936</b>

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	<b>72,222</b>	–	–	<b>72,222</b>
New financial assets originated or purchased	61,613	–	–	61,613
Remeasurement	–	80,300	–	80,300
Repayment	(72,222)	–	–	(72,222)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(6,900)	6,900	–	–
<b>As at 31 December 2021</b>	<b>54,713</b>	<b>87,200</b>	–	<b>141,913</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (b) Movements on ECL allowance (continued)

Corporate loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loss allowance as at 1 January 2020</b>	663,570	509,487	216,332	1,389,389
New financial assets originated or purchased	425,379	–	–	425,379
Remeasurement	208,940	68,755	252,331	530,026
Repayment	(250,866)	(22,665)	(49,181)	(322,712)
Written-off	–	–	(219,216)	(219,216)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(4,781)	4,781	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(141)	–	141	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(447,977)	447,977	–
<i>Transfer from Stage 3 to Stage 2</i>	–	–	–	–
<i>Transfer from Stage 2 to Stage 1</i>	3,013	(3,013)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	–	–	–	–
Recoveries of loans written-off in previous years	–	–	32,125	32,125
Unwinding of discount	–	–	22,295	22,295
<b>Loss allowance as at 31 December 2020</b>	<b>1,045,114</b>	<b>109,368</b>	<b>702,804</b>	<b>1,857,286</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (b) Movements on ECL allowance (continued)

Personal loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>Loss allowance as at 1 January 2020</b>	26,068	25,222	19,305	70,595
New financial assets originated or purchased	74,368	–	–	74,368
Remeasurement	11,533	23,738	16,382	51,653
Repayment	(16,321)	(8,387)	(7,085)	(31,793)
Written-off	–	–	(15,280)	(15,280)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(348)	348	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(435)	–	435	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(3,653)	3,653	–
<i>Transfer from Stage 3 to Stage 2</i>	–	601	(601)	–
<i>Transfer from Stage 2 to Stage 1</i>	1,264	(1,264)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	385	–	(385)	–
Recoveries of loans written-off in previous years	–	–	29,484	29,484
Unwinding of discount	–	–	2,092	2,092
<b>Loss allowance as at 31 December 2020</b>	96,514	36,605	48,000	181,119

Discounted bills	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	21,166	–	–	21,166
New financial assets originated or purchased	72,222	–	–	72,222
Repayment	(21,166)	–	–	(21,166)
<b>As at 31 December 2020</b>	72,222	–	–	72,222

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (c) Movements on gross amount (excluding interest receivable) of customer loans

The following table further illustrates the changes in the gross amounts of the corporate and personal loans portfolios(excluding interest receivable) to explain the impact of these changes on the portfolio's ECL.

Corporate loans	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2021</b>	<b>45,176,538</b>	<b>390,212</b>	<b>1,283,350</b>	<b>46,850,100</b>
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(1,581,302)	1,581,302	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(601,592)	-	601,592	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(73,698)	73,698	-
<i>Transfer from Stage 2 to Stage 1</i>	9,950	(9,950)	-	-
Derecognition of financial assets of current year	(15,659,021)	(55,034)	(67,196)	(15,781,251)
New financial assets originated or purchased	30,796,532	-	-	30,796,532
Written-offs and disposals	-	-	(992,374)	(992,374)
<b>As at 31 December 2021</b>	<b>58,141,105</b>	<b>1,832,832</b>	<b>899,070</b>	<b>60,873,007</b>
Personal loans	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2021</b>	<b>7,516,912</b>	<b>133,301</b>	<b>74,216</b>	<b>7,724,429</b>
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(74,263)	74,263	-	-
<i>Transfer from Stage 1 to Stage 3</i>	(57,501)	-	57,501	-
<i>Transfer from Stage 2 to Stage 3</i>	-	(55,187)	55,187	-
<i>Transfer from Stage 3 to Stage 2</i>	-	1,678	(1,678)	-
<i>Transfer from Stage 2 to Stage 1</i>	7,275	(7,275)	-	-
<i>Transfer from Stage 3 to Stage 1</i>	1,255	-	(1,255)	-
Derecognition of financial assets of current year	(4,441,148)	(47,764)	(16,164)	(4,505,076)
New financial assets originated or purchased	6,956,315	-	-	6,956,315
Written-off	-	-	(8,178)	(8,178)
<b>As at 31 December 2021</b>	<b>9,908,845</b>	<b>99,016</b>	<b>159,629</b>	<b>10,167,490</b>
Discounted bills	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2021</b>	<b>4,778,348</b>	-	-	<b>4,778,348</b>
New financial assets originated or purchased	3,612,243	-	-	3,612,243
Proceeds received	(4,778,348)	-	-	(4,778,348)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(373,029)	373,029	-	-
<b>As at 31 December 2021</b>	<b>3,239,214</b>	<b>373,029</b>	-	<b>3,612,243</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (c) Movements on gross amount (excluding interest receivable) of customer loans (continued)

Corporate loans	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2020</b>	35,010,431	1,518,220	373,746	36,902,397
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(259,860)	259,860	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(9,500)	–	9,500	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(1,231,870)	1,231,870	–
<i>Transfer from Stage 2 to Stage 1</i>	22,900	(22,900)	–	–
Derecognition of financial assets of current year	(13,235,917)	(133,098)	(112,550)	(13,481,565)
New financial assets originated or purchased	23,648,484	–	–	23,648,484
Written-off	–	–	(219,216)	(219,216)
<b>As at 31 December 2020</b>	45,176,538	390,212	1,283,350	46,850,100
Personal loans	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2020</b>	6,018,422	113,699	43,658	6,175,779
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(77,318)	77,318	–	–
<i>Transfer from Stage 1 to Stage 3</i>	(44,208)	–	44,208	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(16,601)	16,601	–
<i>Transfer from Stage 3 to Stage 2</i>	–	1,479	(1,479)	–
<i>Transfer from Stage 2 to Stage 1</i>	7,406	(7,406)	–	–
<i>Transfer from Stage 3 to Stage 1</i>	972	–	(972)	–
Derecognition of financial assets of current year	(2,424,513)	(35,188)	(12,520)	(2,472,221)
New financial assets originated or purchased	4,036,151	–	–	4,036,151
Written-off	–	–	(15,280)	(15,280)
<b>As at 31 December 2020</b>	7,516,912	133,301	74,216	7,724,429
Discounted bills	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2020</b>	1,499,648	–	–	1,499,648
New financial assets originated or purchased	4,778,348	–	–	4,778,348
Proceeds received	(1,499,648)	–	–	(1,499,648)
<b>As at 31 December 2020</b>	4,778,348	–	–	4,778,348

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 17 CUSTOMER LOANS (continued)

#### (d) Loans listed by assessment method for allowance

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
Total customer loans	71,289,164	2,304,877	1,058,699	74,652,740
– Corporate loans	61,380,319	2,205,861	899,070	64,485,250
– Personal loans	9,908,845	99,016	159,629	10,167,490
Accrued interest	158,530	4,748	57,272	220,550
Less: ECL allowance	(1,350,454)	(545,522)	(741,122)	(2,637,098)
<b>Net customer loans</b>	<b>70,097,240</b>	<b>1,764,103</b>	<b>374,849</b>	<b>72,236,192</b>

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Total customer loans	57,471,798	523,513	1,357,566	59,352,877
– Corporate loans	49,954,886	390,212	1,283,350	51,628,448
– Personal loans	7,516,912	133,301	74,216	7,724,429
Accrued interest	172,401	1,125	97,313	270,839
Less: ECL allowance	(1,141,628)	(145,973)	(750,804)	(2,038,405)
<b>Net customer loans</b>	<b>56,502,571</b>	<b>378,665</b>	<b>704,075</b>	<b>57,585,311</b>

### 18 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS

The Bank's financial investments – credit related financial assets are corporate loans issued through consolidated structured entities (Trust plans).

	As at 31 December	
	2021	2020
Financial investments – credit related financial assets		
– Trust plans <sup>(1)</sup>	3,219,100	3,896,600
Accrued interest	109,284	59,314
Gross amount	3,328,384	3,955,914
Less: ECL allowance	(237,365)	(246,649)
<b>Net amount</b>	<b>3,091,019</b>	<b>3,709,265</b>



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 18 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

#### (1) Trust plans

Analysis by type of collateral:

	As at 31 December	
	2021	2020
Guaranteed	2,088,350	2,088,350
Pledged	925,750	1,032,250
Unsecured	205,000	466,000
Collateralised	–	310,000
<b>Total</b>	<b>3,219,100</b>	<b>3,896,600</b>

The movement of ECL of financial investments – credit related financial assets is as follows:

	Financial investments – credit related financial assets			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2021	53,300	193,349	–	246,649
New financial assets originated or purchased	–	–	–	–
Remeasurement	18	690	–	708
Repayment	(9,992)	–	–	(9,992)
As at 31 December 2021	43,326	194,039	–	237,365

	Financial investments – credit related financial assets			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2020	52,933	8,271	–	61,204
New financial assets originated or purchased	17,427	–	–	17,427
Remeasurement	4,995	186,710	–	191,705
Repayment	(15,416)	(8,271)	–	(23,687)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(6,639)	6,639	–	–
As at 31 December 2020	53,300	193,349	–	246,649

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 18 FINANCIAL INVESTMENTS – CREDIT RELATED FINANCIAL ASSETS (continued)

#### (1) Trust plans (continued)

The movement on gross amount (excluding interest receivable) of financial investments – credit related financial assets is as follows:

	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	3,258,250	638,350	–	3,896,600
New financial assets originated or purchased	–	–	–	–
Repayment	(677,500)	–	–	(677,500)
As at 31 December 2021	2,580,750	638,350	–	3,219,100

The movement on gross amount (excluding interest receivable) of financial investments – credit related financial assets is as follows (continued):

	Financial investments – credit related financial assets			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,187,600	50,000	–	4,237,600
New financial assets originated or purchased	1,000,000	–	–	1,000,000
Repayment	(1,291,000)	(50,000)	–	(1,341,000)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(638,350)	638,350	–	–
As at 31 December 2020	3,258,250	638,350	–	3,896,600

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 19 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
Financial investments – fair value through profit or loss		
– Listed outside Hong Kong (i)	5,811,882	6,179,494
– Unlisted (ii)	4,099,451	10,304,459
<b>Total</b>	<b>9,911,333</b>	<b>16,483,953</b>

(i) The Bank's listed bonds are traded on the Shanghai Stock Exchange or Shenzhen Stock Exchange.

(ii) Unlisted financial investments measured at fair value through profit or loss are set out below:

	As at 31 December	
	2021	2020
Financial investments – fair value through profit or loss (Unlisted)		
– Corporate entity bonds	1,725,633	1,906,098
– Funds	1,560,411	1,934,772
– Commercial bank bonds	664,358	328,334
– Trust plans	91,917	–
– Equity investments at fair value	57,132	996
– Wealth management products purchased from financial institutions	–	6,104,208
– Joint-investment projects	–	30,051
<b>Total</b>	<b>4,099,451</b>	<b>10,304,459</b>

The Bank's unlisted bonds are traded in the inter-bank bond market in Mainland China.

As at 31 December 2021, no trading securities of the Bank were pledged to third parties under repurchase agreements (as at 31 December 2020: nil).

Financial investments measured at fair value through profit or loss by the issuer are set out below:

	As at 31 December	
	2021	2020
Financial investments – fair value through profit or loss		
– Corporates	7,629,432	8,073,538
– Fund companies	1,560,411	1,934,772
– Commercial banks	664,358	6,462,593
– Equity investments of corporates at fair value	57,132	13,050
<b>Total</b>	<b>9,911,333</b>	<b>16,483,953</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 20 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
Financial investments – FVOCI		
– Listed outside Hong Kong	6,242,629	4,370,987
– Unlisted	6,331,339	3,544,857
Subtotal	12,573,968	7,915,844
Accrued interest	260,947	185,087
<b>Total</b>	<b>12,834,915</b>	<b>8,100,931</b>

Unlisted financial investments measured at fair value through other comprehensive income are set out below:

	As at 31 December	
	2021	2020
Financial investments – FVOCI (unlisted)		
– Corporate entity bonds	2,694,694	1,126,918
– Commercial bank bonds	1,748,485	972,261
– Government bonds	1,496,164	679,825
– Policy bank bonds	391,996	765,853
<b>Total</b>	<b>6,331,339</b>	<b>3,544,857</b>

The Bank's unlisted bonds are traded in the inter-bank bond market in Mainland China.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 20 FINANCIAL INVESTMENTS – FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Financial investments measured at fair value through other comprehensive income by the issuer are set out below:

	As at 31 December	
	2021	2020
Financial investments – FVOCI		
– Corporates	8,937,323	5,336,189
– Commercial banks	1,748,485	972,261
– Government	1,496,164	841,541
– Policy banks	391,996	765,853
<b>Total</b>	<b>12,573,968</b>	<b>7,915,844</b>

The movement of ECL allowance of financial investments – FVOCI is as follows:

	Financial investments – FVOCI			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2021	127,335	–	–	127,335
New financial assets originated or purchased	104,882	–	–	104,882
Remeasurement	2,920	10,942	–	13,862
Repayment	(2,335)	–	–	(2,335)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(806)	806	–	–
<b>As at 31 December 2021</b>	<b>231,996</b>	<b>11,748</b>	<b>–</b>	<b>243,744</b>

	Financial investments – FVOCI			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2020	12,228	–	–	12,228
New financial assets originated or purchased	94,870	–	–	94,870
Remeasurement	28,387	–	–	28,387
Repayment	(8,150)	–	–	(8,150)
<b>As at 31 December 2020</b>	<b>127,335</b>	<b>–</b>	<b>–</b>	<b>127,335</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 21 FINANCIAL INVESTMENTS – AMORTISED COST

	As at 31 December	
	2021	2020
Financial investments – amortised cost		
– Listed in Hong Kong	31,878	–
– Listed outside Hong Kong	1,168,261	689,931
– Unlisted	15,434,848	15,200,901
Subtotal	16,634,987	15,890,832
Accrued interest	364,088	254,938
Less: ECL allowance	(628,926)	(474,942)
<b>Total</b>	<b>16,370,149</b>	<b>15,670,828</b>

Unlisted financial investments measured at amortised cost are set out below:

	As at 31 December	
	2021	2020
Financial investments – amortised cost (unlisted)		
– Corporate entity bonds	6,139,899	8,446,079
– Policy bank bonds	4,256,022	3,144,223
– Government bonds	2,592,465	1,041,338
– Collective Trust plans	1,086,000	1,086,000
– Local government bonds	960,462	1,083,261
– Industry funds (Senior tranche)	400,000	400,000
<b>Total</b>	<b>15,434,848</b>	<b>15,200,901</b>

Financial investments – amortised cost by the issuer are set out below:

	As at 31 December	
	2021	2020
Financial investments – amortised cost		
– Corporate companies	7,340,038	9,136,010
– Policy banks	4,256,022	3,144,223
– Governments	3,552,927	2,124,599
– Trust companies	1,086,000	1,086,000
– Fund companies	400,000	400,000
<b>Total</b>	<b>16,634,987</b>	<b>15,890,832</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 21 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

The movement of ECL allowance of financial investments – amortised cost is as follows:

	Financial investments – amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2021	175,783	106,418	192,741	474,942
New financial assets originated or purchased	17,786	–	–	17,786
Remeasurement	7,257	182,792	6,712	196,761
Repayment	(63,416)	(9,965)	–	(73,381)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(8,221)	8,221	–	–
Unwinding of discount	–	–	12,818	12,818
As at 31 December 2021	129,189	287,466	212,271	628,926

	Financial investments – amortised cost			
	12-month ECL for Stage 1	Lifetime ECL for Stage 2	Lifetime ECL for Stage 3	Total
As at 1 January 2020	206,645	91,762	–	298,407
New financial assets originated or purchased	38,830	–	–	38,830
Remeasurement	54,375	101,803	87,287	243,465
Repayment	(119,452)	–	–	(119,452)
Transfer:				
<i>Transfer from Stage 1 to Stage 2</i>	(4,615)	4,615	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(91,762)	91,762	–
Unwinding of discount	–	–	13,692	13,692
As at 31 December 2020	175,783	106,418	192,741	474,942

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 21 FINANCIAL INVESTMENTS – AMORTISED COST (continued)

The movement on gross amount (excluding accrued interest) of financial investments – amortised cost is as follows:

	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	15,290,832	350,000	250,000	15,890,832
New financial assets originated or purchased	4,244,312	–	–	4,244,312
Repayment	(3,467,383)	(32,774)	–	(3,500,157)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(600,000)	600,000	–	–
As at 31 December 2021	15,467,761	917,226	250,000	16,634,987

	Financial investments – amortised cost			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	22,190,015	250,000	–	22,440,015
New financial assets originated or purchased	3,001,718	–	–	3,001,718
Repayment	(9,550,901)	–	–	(9,550,901)
Transfers:				
<i>Transfer from Stage 1 to Stage 2</i>	(350,000)	350,000	–	–
<i>Transfer from Stage 2 to Stage 3</i>	–	(250,000)	250,000	–
As at 31 December 2020	15,290,832	350,000	250,000	15,890,832



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 22 INVESTMENT IN AN ASSOCIATE

	As at 31 December	
	2021	2020
Balance at the beginning of the year	45,175	40,738
Share of profit after tax	3,749	4,437
Balance at the end of the year	48,924	45,175

The Bank invested in Luxian Yuantong Rural Bank Co., Ltd. on 8 April 2009. The registered capital of the invested enterprise was RMB30 million, and the Bank invested RMB9 million, accounting for 30%.

Investment in the associate of the Bank are unlisted company equity interest. Assets, liabilities, revenue and profit of the associate are as follows:

	Place of incorporation	Assets	Liabilities	Revenue	Profit	Interest held
31 December 2021						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,294,355	1,131,546	37,855	12,495	30%
31 December 2020						
Luxian Yuantong Rural Bank Co., Ltd. (瀘縣元通村鎮銀行)	PRC	1,163,012	1,012,428	37,876	14,404	30%

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 23 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress (a)	Total
<b>Cost</b>						
As at 1 January 2021	654,937	10,438	142,686	42,909	175,795	1,026,765
Additions	16,698	-	44,217	14,569	72,283	147,767
Transfer in/(out)	108,427	-	1,175	-	(109,602)	-
Less: Disposals in the current year	-	-	(1,475)	(1,670)	-	(3,145)
Transfer to amortisation of long-term deferred expenses	-	-	-	-	(37,164)	(37,164)
<b>As at 31 December 2021</b>	<b>780,062</b>	<b>10,438</b>	<b>186,603</b>	<b>55,808</b>	<b>101,312</b>	<b>1,134,223</b>
<b>Accumulated depreciation</b>						
As at 1 January 2021	(105,064)	(4,150)	(94,829)	(17,828)	-	(221,871)
Depreciation in the current year	(30,977)	(1,608)	(23,145)	(7,242)	-	(62,972)
Disposals	-	-	458	244	-	702
<b>As at 31 December 2021</b>	<b>(136,041)</b>	<b>(5,758)</b>	<b>(117,516)</b>	<b>(24,826)</b>	<b>-</b>	<b>(284,141)</b>
<b>Net book value</b>						
<b>As at 31 December 2021</b>	<b>644,021</b>	<b>4,680</b>	<b>69,087</b>	<b>30,982</b>	<b>101,312</b>	<b>850,082</b>
<b>As at 31 December 2020</b>						
	Buildings	Motor vehicles	Electronic equipment	Office equipment	Construction in progress (a)	Total
<b>Cost</b>						
As at 1 January 2020	652,811	8,148	117,005	31,602	106,090	915,656
Additions	2,126	4,109	27,400	11,368	74,880	119,883
Transfer in/(out)	-	-	395	157	(552)	-
Less: Disposals in the current year	-	(1,819)	(2,114)	(218)	-	(4,151)
Transfer to amortisation of long-term deferred expenses	-	-	-	-	(4,623)	(4,623)
<b>As at 31 December 2020</b>	<b>654,937</b>	<b>10,438</b>	<b>142,686</b>	<b>42,909</b>	<b>175,795</b>	<b>1,026,765</b>
<b>Accumulated depreciation</b>						
As at 1 January 2020	(74,005)	(4,761)	(79,943)	(12,395)	-	(171,104)
Depreciation in the current year	(31,059)	(1,117)	(16,862)	(5,638)	-	(54,676)
Disposals	-	1,728	1,976	205	-	3,909
<b>As at 31 December 2020</b>	<b>(105,064)</b>	<b>(4,150)</b>	<b>(94,829)</b>	<b>(17,828)</b>	<b>-</b>	<b>(221,871)</b>
<b>Net book value</b>						
<b>As at 31 December 2020</b>	<b>549,873</b>	<b>6,288</b>	<b>47,857</b>	<b>25,081</b>	<b>175,795</b>	<b>804,894</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 23 PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2021, the net amount of buildings, for which registrations for the property ownership certificates had not been completed, were RMB29,040 thousand (31 December 2020: RMB31,141 thousand). However, directors are of the view that this does not have significant impact on the rights of the Bank to use these assets.

None of the land or property the Bank owned is located in Hong Kong.

#### (a) Construction in progress:

	As at 31 December	
	2021	2020
Software engineering	46,341	41,173
Business building and decoration projects	39,446	107,997
Others	15,525	26,625
<b>Total</b>	<b>101,312</b>	<b>175,795</b>

### 24 DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for the year ended 31 December 2021 and 31 December 2020 for transactions in the PRC.

Movements in the deferred income tax account are as follows:

	As at 31 December	
	2021	2020
Balance at the beginning of the year	628,037	386,436
Income tax expense (Note 13)	187,610	268,589
Changes in fair value of financial investments at FVOCI	8,508	14,553
Changes in ECL allowance of financial investments at FVOCI	(46,525)	(41,541)
<b>Balance at the end of the year</b>	<b>777,630</b>	<b>628,037</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 24 DEFERRED INCOME TAX ASSETS (continued)

Deferred income tax assets and liabilities are attributable to the following items:

	As at 31 December			
	2021		2020	
	Temporary differences	Deferred income tax assets/(liabilities)	Temporary differences	Deferred income tax assets/(liabilities)
<b>Deferred income tax assets</b>				
Asset impairment allowances	2,807,553	701,887	2,215,610	553,903
Unrealised losses on fair value measurements of financial investments at FVPL	-	-	55,325	13,831
Unrealised losses on fair value measurements of financial investments at FVOCI	39,679	9,920	5,647	1,412
Payroll payable	333,067	83,267	235,565	58,891
<b>Subtotal</b>	<b>3,180,299</b>	<b>795,074</b>	<b>2,512,147</b>	<b>628,037</b>
<b>Deferred tax liabilities</b>				
Unrealised losses on fair value measurements of financial investments at FVPL	(69,775)	(17,444)	-	-
<b>Subtotal</b>	<b>(69,775)</b>	<b>(17,444)</b>	<b>-</b>	<b>-</b>
<b>Net deferred income tax assets</b>	<b>3,110,524</b>	<b>777,630</b>	<b>2,512,147</b>	<b>628,037</b>

### 25 OTHER ASSETS

	As at 31 December	
	2021	2020
Other receivables	120,297	100,665
Right-of-use assets <sup>(a)</sup>	87,913	55,089
Settlement fund <sup>(b)</sup>	70,597	31,220
Long-term deferred expenses	69,269	88,299
Prepaid expenses	67,671	39,221
Interest receivable from customer loans	28,801	42,610
Intangible assets <sup>(c)</sup>	14,450	14,927
Foreclosed assets <sup>(d)</sup>	41,940	48,300
Less: Impairment allowance <sup>(e)</sup>	(15,310)	(15,855)
Investment properties <sup>(f)</sup>	947	1,092
Others	6	278
<b>Total</b>	<b>486,581</b>	<b>405,846</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (continued)

#### (a) Right-of-use assets

	Buildings	Office equipment	Total
<b>Cost</b>			
As at 1 January 2021	79,175	110	79,285
Additions	54,401	–	54,401
Decreases	(6,673)	–	(6,673)
As at 31 December 2021	126,903	110	127,013
<b>Accumulated depreciation</b>			
As at 1 January 2021	(24,163)	(33)	(24,196)
Charge for the year	(21,555)	(22)	(21,577)
Decreases	6,673	–	6,673
As at 31 December 2021	(39,045)	(55)	(39,100)
<b>Net book value</b>			
As at 31 December 2021	87,858	55	87,913
<b>Cost</b>			
As at 1 January 2020	57,048	110	57,158
Additions	33,121	–	33,121
Decreases	(10,994)	–	(10,994)
As at 31 December 2020	79,175	110	79,285
<b>Accumulated depreciation</b>			
As at 1 January 2020	(15,009)	(11)	(15,020)
Charge for the year	(20,148)	(22)	(20,170)
Decreases	10,994	–	10,994
As at 31 December 2020	(24,163)	(33)	(24,196)
<b>Net book value</b>			
As at 31 December 2020	55,012	77	55,089

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (continued)

(b) The settlement funds are balances in the large payment system and UnionPay settlement funds.

#### (c) Intangible assets

	Software
Cost	
As at 1 January 2021	32,300
Additions	13,025
Transfers in	-
Disposals	-
As at 31 December 2021	45,325
Accumulated amortisation	
As at 1 January 2021	(17,373)
Amortisation expense	(13,502)
Transfers in	-
Disposals	-
As at 31 December 2021	(30,875)
Net book value	14,450

	Software
Cost	
As at 1 January 2020	14,508
Additions	17,792
Transfers in	-
Disposals	-
As at 31 December 2020	32,300
Accumulated amortisation	
As at 1 January 2020	(8,961)
Amortisation expense	(8,412)
Transfers in	-
Disposals	-
As at 31 December 2020	(17,373)
Net book value	14,927

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (continued)

#### (d) Foreclosed assets

	Properties & Plants
As at 1 January 2021	48,300
Additions	27,000
Disposals	(33,360)
<b>As at 31 December 2021</b>	<b>41,940</b>
As at 1 January 2020	50,490
Additions	17,704
Disposals	(19,894)
<b>As at 31 December 2020</b>	<b>48,300</b>

#### (e) Impairment for foreclosed assets

	Properties & Plants
As at 1 January 2021	15,855
Additions	5,792
Disposals	(6,337)
<b>As at 31 December 2021</b>	<b>15,310</b>
As at 1 January 2020	19,461
Additions	2,362
Disposals	(5,968)
<b>As at 31 December 2020</b>	<b>15,855</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 25 OTHER ASSETS (continued)

#### (f) Investment properties

	As at 31 December	
	2021	2020
<b>Cost</b>		
Balance at the beginning of the year	11,453	11,453
Additions	–	–
Disposals	–	–
<b>Balance at the end of the year</b>	<b>11,453</b>	11,453
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	(10,361)	(10,123)
Charge for the year	(145)	(238)
Disposals	–	–
<b>Balance at the end of the year</b>	<b>(10,506)</b>	(10,361)
<b>Net book value</b>		
Balance at the end of the year	947	1,092

The analysis of the value of investment properties by remaining leasehold period are as follows:

	As at 31 December	
	2021	2020
Located in the PRC		
Leased out (within 10 years)	851	997
Held for operating lease	96	95
<b>Total</b>	<b>947</b>	1,092



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Placements from banks and other financial institutions	3,315,000	3,790,000
Repurchase agreements – securities	1,300,000	–
Due to banks and other financial institutions	610,878	980,326
Accrued interest	28,263	60,040
<b>Total</b>	<b>5,254,141</b>	<b>4,830,366</b>

### 27 CUSTOMER DEPOSITS

	As at 31 December	
	2021	2020
Corporate demand deposits	33,352,878	34,774,888
Including:		
Pledged deposits held as collateral	1,383,031	1,766,786
Corporate time deposits	8,092,482	7,548,567
Personal demand deposits	10,616,234	6,316,539
Personal time deposits	41,164,827	35,464,652
Accrued interest	1,542,100	1,118,458
<b>Total</b>	<b>94,768,521</b>	<b>85,223,104</b>

### 28 DEBT SECURITIES ISSUED

	As at 31 December	
	2021	2020
Inter-bank certificates of deposit	15,532,576	14,035,290
Fixed rate tier-2-capital debt – 2027 <sup>(a)</sup>	1,000,000	1,000,000
Fixed rate tier-2-capital debt – 2030 <sup>(b)</sup>	1,500,000	1,500,000
Fixed rate SME debt – 2024 <sup>(c)</sup>	2,000,000	–
Accrued interest	109,382	63,200
<b>Total</b>	<b>20,141,958</b>	<b>16,598,490</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 28 DEBT SECURITIES ISSUED (continued)

- (a) The Bank issued RMB1 billion tier-2 capital debt in February 2017. The term of this capital debt lasts for 10 years, and the fixed interest rate is 5.50%. The Bank, as an issuer, can choose to redeem the debt in part or in full at the face value on 14 February 2022, the last day of the interest rate year that is set to redeem in advance in this year, if the capital level of the Bank still meets the CBIRC requirement after exercising the right of redemption and subject to CBRIC Sichuan Bureau approval. The Bank exercised the right of redemption on 14 February 2022 to redeem the bonds in full at par value.
- (b) The Bank issued RMB0.8 billion tier-2 capital debt in September 2020. The term of these capital debt lasts for 10 years, and the fixed interest rate is 5.00%. The Bank has an option to redeem the debt at the par value partially or as a whole on 29 September 2025, the last day of the interest-bearing year with early redemption option embedded, provided that CBRIC Sichuan Bureau's permission is acquired in advance and the Bank's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

The Bank issued RMB0.7 billion tier-2 capital debt in November 2020. The term of these capital debt lasts for 10 years, and the fixed interest rate is 4.80%. The Bank has an option to redeem the debt at the par value partially or as a whole on 13 November 2025, the last day of the interest-bearing year with early redemption option embedded, provided that CBRIC Sichuan Bureau's permission is acquired in advance and the Bank's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

The tier-2 capital debts the Bank issued have the write-down feature, which allows the Bank to write down the entire principals of the debts when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable.

- (c) The Bank issued RMB2 billion special financial debt for loans to small and micro enterprises (the "SME debt") in May 2021. The term of this SME debt lasts for 3 years, and the fixed interest rate is 3.85%. The Bank has no option to redeem the bond before maturity.

As at 31 December 2021, the Bank did not have any default in debt issued or certificates of deposit, or any other default (as at 31 December 2020: nil).

### 29 OTHER LIABILITIES

	As at 31 December	
	2021	2020
Employee benefits payable	333,067	309,465
Dividends payable	119,906	120,005
Lease liabilities	86,430	51,938
Deferred income	23,299	9,353
Security deposits	8,831	5,496
Provisions	960	15,583
Advances from customers	13	7
Others	113,180	77,807
<b>Total</b>	<b>685,686</b>	<b>589,654</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 30 SHARE CAPITAL AND CAPITAL SURPLUS

All shares of the Bank issued are fully paid ordinary shares. The par value per share is RMB1.00. The Bank's number of shares is as follows:

	As at 31 December	
	2021	2020
Number of shares	2,717,752	2,264,793

The movement of share capital is as follows:

	Year ended 31 December	
	2021	2020
Balance at the beginning of the year	2,264,793	2,264,793
Capital surplus transferred to share capital	452,959	–
Balance at the end of the year	2,717,752	2,264,793

Generally, transactions of the following nature are recorded in the capital surplus:

- (a) Share premium arising from the issue of shares at prices in excess of their par value;
- (b) Donations received from shareholders; and
- (c) Any other items required by the PRC regulations to be so treated.

Capital surplus can be utilised for increasing capital as approved by the shareholders.

As at 31 December 2021 and 2020, the Bank's capital surplus is shown as follow:

	As at 31 December 2020	Deduction	As at 31 December 2021
Share premium	2,239,314	(452,959)	1,786,355

On 25 March 2021, the Board of Directors of the Bank proposed the capitalisation of the capital surplus from the issue of shares at premium by issuing shares in a proportion of 2 shares for every 10 shares being held, resulting in an additional 452,958,677 shares. The share capital changed from RMB2,264,793 thousand to RMB2,717,752 thousand after the capitalisation, which was approved by CBIRC on 17 August 2021. The capitalisation issue plan have been approved by the shareholders' meeting on 8 June 2021 and completed on 11 October 2021.

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 31 OTHER EQUITY INSTRUMENTS

### 31.1 Perpetual bonds

#### 31.1.1 Perpetual bonds outstanding at the end of the year

	Issue date	Accounting classification	Original interest rate	Issue price	Amount in shares	In RMB (in thousands)	Maturity
Perpetual bonds in RMB	18 March 2020	Equity	5.80%	RMB100/bond	10,000,000	1,000,000	No fixed maturity date
Perpetual bonds in RMB	11 June 2020	Equity	5.30%	RMB100/bond	7,000,000	700,000	No fixed maturity date
Total						1,700,000	
Less: Issue fees						(3,176)	
Carrying amount						1,696,824	

#### 31.1.2 Main clauses

With the approval of relevant Chinese regulatory authorities, the Bank issued perpetual bonds in the inter-bank bond market on 18 March 2020 and 11 June 2020, with a total face value of RMB1.7 billion and each face value of RMB100. The interest rate of the perpetual bonds does not contain any interest rate step-up mechanism or any other redemption incentives. The coupon rate is determined by a benchmark rate plus a fixed spread, and it will be adjusted every 5 years, the coupon rate for the first 5 years is respectively 5.80% and 5.30%.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. After five years from the issuance of the perpetual bonds, the Bank may redeem the perpetual bonds in whole or in part on each distribution payment date. Upon the occurrence of Write-down Event, the Bank has the right, subject to the approval of the China Banking and Insurance Regulatory Commission but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds. The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

The distributions on the perpetual bonds are non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank will not distribute income to ordinary shareholders until it decides to start paying full distributions to the bondholders.

The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional Tier-1 Capital of the Bank.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 32 OTHER RESERVES

	Surplus reserve (a)	General reserve (b)	Revaluation reserve of financial assets at FVOCI	Impairment allowances for financial assets at FVOCI	Total
<b>Balance at 31 December 2020</b>	<b>457,338</b>	<b>1,148,053</b>	<b>(4,236)</b>	<b>149,669</b>	<b>1,750,824</b>
Other comprehensive income	-	-	(25,524)	139,575	114,051
Addition	73,426	391,514	-	-	464,940
<b>Balance at 31 December 2021</b>	<b>530,764</b>	<b>1,539,567</b>	<b>(29,760)</b>	<b>289,244</b>	<b>2,329,815</b>
<b>Balance at 31 December 2019</b>	<b>399,731</b>	<b>977,442</b>	<b>39,422</b>	<b>25,046</b>	<b>1,441,641</b>
Other comprehensive income	-	-	(43,658)	124,623	80,965
Addition	57,607	170,611	-	-	228,218
<b>Balance at 31 December 2020</b>	<b>457,338</b>	<b>1,148,053</b>	<b>(4,236)</b>	<b>149,669</b>	<b>1,750,824</b>

#### (a) Surplus reserve

In accordance with the “Company Law of the People’s Republic of China” and the Bank’s Articles of Association, 10% of the net distributable profit of the Bank, is required to be transferred to a non-distributable statutory reserve until such time when this reserve represents 50% of the share capital of the Bank. With approval, statutory surplus reserve can be used for making up losses, or increasing the share capital.

#### (b) General reserve

The Bank follows “the management methods of financial institutions reserve” (CAIJIN [2012] No. 20) issued by the Ministry of Finance. According to these requirements, the general reserve should not be lower than the 1.5% of the year end risk assets. For financial institutions with difficulty meeting the 1.5% threshold, they can take years to gradually meet this requirement, but principally it should not exceed 5 years.

According to a resolution at the meeting of the Board of Directors dated on 26 March 2020, the Bank appropriated RMB170,611 thousand to the general reserve based on 1.5% of the ending balance of risk assets for the year ended 31 December 2019. The above distribution scheme was approved by the general meeting of shareholders on 26 May 2020.

On 25 March 2021, the Board of Directors of the Bank proposed that 1.5% of the risk assets at the end of 2020 should be accrued for general risk reserve amounted to RMB391,514 thousand. This proposal has been approved by the Annual General Meeting held on 8 June 2021. As at 31 December 2021, the ending balance of general reserve was RMB1,539,567 thousand (as at 31 December 2020: RMB1,148,053 thousand).

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 33 DIVIDENDS

	Year ended 31 December	
	2021	2020
Dividend declared for the year	-	294,423
Dividend per share (in RMB)	-	0.13

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up prior year's cumulative losses, if any;
- (ii) Allocations to the non-distributable statutory accumulation reserve of 10% of the net profit of the Bank.

In accordance with relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lower of (i) the retained profits determined in accordance with the China Accounting Standards and (ii) the retained profit determined in accordance with IFRS.

According to the "Plan for profit distribution of Luzhou Bank Co., Ltd. in 2019" approved in the annual general meeting for year 2019 on 26 May 2020, the Bank had distributed cash dividends RMB294,423 thousand (including tax) as of 8 June 2020 to its shareholders, which is calculated at RMB0.13 dividend per share.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 34 STRUCTURED ENTITIES

#### (a) Unconsolidated structured entities

##### (i) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are mainly wealth management products issued and managed by the Bank acting as asset manager. Based on the analysis and research on the potential targeted clients, the Bank designs and sells wealth management products to targeted clients, and the raised funds are then put into related financial market or invested in related financial products according to the product contracts. Investment returns would be allocated to investors according to the product contracts. The Bank receives corresponding wealth management commission fee income as the asset manager. The Bank has recognised net commission income from asset management service of non-principal-guaranteed wealth management products with the amount of RMB55,790 thousand for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB2,149 thousand). The Bank has not provided any liquidity support to the wealth management products for the year (for the year ended 31 December 2020: Nil).

The Bank issues and manages non-principal-guaranteed wealth management products. The funds raised from the individual investors are mainly invested in the open market bonds and money market instruments.

The Bank assesses its control on the non-principal-guaranteed wealth management products. The Bank takes a fiduciary role on these wealth management products and has no contractual obligation to repay the principal or interest. The risk exposure of the products is mainly from the fluctuation of the expected return of the bonds market and the performance of trust plans. The risk of loss is borne by the investors. The Bank earns the net fee and commission income from the products.

As at 31 December 2021, the balance of unconsolidated wealth management products issued and managed by the Bank was RMB10,041,150 thousand (As at 31 December 2020: RMB3,001,443 thousand).

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 34 STRUCTURED ENTITIES (continued)

#### (a) Unconsolidated structured entities (continued)

#### (ii) Unconsolidated structured entities invested by the Bank

In order to increase the return of excessive funds, the Bank invests in the unconsolidated structured entities which mainly included the funds, trust plans, directed asset management plans and wealth management products issued and managed by third parties. The Bank classified the investments in the unconsolidated structured entities as financial assets at FVPL or amortised cost (For the year ended 31 December 2020: same).

The table below lists the book value (including accrued interest) and maximum loss risk exposure of the assets as a result of the holdings of benefits from unconsolidated structured entities.

As at 31 December 2021	Book value	Maximum risk exposure
Financial investments – amortised cost	927,990	927,990
Financial investments – fair value through profit or loss	1,652,328	1,652,328
<b>Total</b>	<b>2,580,318</b>	<b>2,580,318</b>

As at 31 December 2020	Book value	Maximum risk exposure
Financial investments – amortised cost	1,073,983	1,073,983
Financial investments – fair value through profit or loss	8,069,031	8,069,031
<b>Total</b>	<b>9,143,014</b>	<b>9,143,014</b>

For the years ended 31 December 2021 and 2020, the interest income, net gains on financial investments and fee and commission income from the above unconsolidated structured entities managed and invested by the Bank were:

	Year ended 31 December	
	2021	2020
Interest income	85,426	75,492
Net gains on financial investments	127,336	79,677
Fee and commission income	55,790	2,149
<b>Total</b>	<b>268,552</b>	157,318

For the year ended 31 December 2021, the Bank had not provided any financial or other support to unconsolidated structured entities managed by the Bank (For the year ended 31 December 2020: Nil).



## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 34 STRUCTURED ENTITIES (continued)

#### (b) Consolidated structured entities

As at 31 December 2021	Book value	Maximum loss exposure
Financial investments – credit related financial assets	3,091,019	3,091,019
Financial investments – amortised cost	3,788,622	3,788,622
<b>Total</b>	<b>6,879,641</b>	<b>6,879,641</b>

As at 31 December 2020	Book value	Maximum loss exposure
Financial investments – credit related financial assets	3,709,265	3,709,265
Financial investments – measured at amortised cost	5,699,974	5,699,974
<b>Total</b>	<b>9,409,239</b>	<b>9,409,239</b>

The Bank's consolidated subsidiaries are only the Bank's consolidated structured entities including trust plans and asset management plans. The underlying assets are debt investments including loans, industry funds and unlisted corporate bonds. The consolidated structured entities are not registered legal entities in the PRC. There are no incorporation or establishment information of such investments.

The Bank's interest income obtained from the above-mentioned consolidated structured entities are as follows:

	Year ended 31 December	
	2021	2020
Interest income	683,072	1,042,349

For the year ended 31 December 2021, there was no related loss from the above unconsolidated structured entities (For the year ended 31 December 2020: Nil).

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### Financial guarantees and credit related commitments

The following tables indicate the contractual amounts of the Bank's financial guarantees and credit related commitments which the Bank commits to extend to customers:

	As at 31 December	
	2021	2020
Bank acceptance notes	581,625	3,548,104
Guarantees	23,443	353,348
Letters of credit	200,000	–
<b>Total</b>	<b>805,068</b>	<b>3,901,452</b>

#### Capital expenditure commitments

	As at 31 December	
	2021	2020
Contracted but not provided for:		
– Capital expenditure commitments for buildings	22,465	21,623
– Acquisition of IT system	121,190	82,829
	<b>143,655</b>	<b>104,452</b>
Authorised but not contracted for:		
– Capital expenditure commitments for buildings	4,890	16
– Acquisition of IT system	49,875	10,590
	<b>54,765</b>	<b>10,606</b>
<b>Total</b>	<b>198,420</b>	<b>115,058</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 35 FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (continued)

#### Legal proceedings

The Bank has involved as defendants in certain lawsuits arising from its normal business operations. The Bank had no significant outstanding legal claims as at 31 December 2021 (As at 31 December 2020: Nil).

### 36 COLLATERALS

#### (a) Assets pledged

Assets pledged by the Bank as collateral are mainly for repurchase agreements and PBOC re-lending. All of these arrangements will be mature within 12 months from the date they take effect (As at 31 December 2020: Same). The carrying amount of these collaterals are listed below

	As at 31 December	
	2021	2020
Debt securities	4,158,000	613,000

#### (b) Collateral accepted

The Bank received debt securities and bills as collateral in connection with the reverse repurchase agreements. The Bank has not accepted collateral that can be resold or repledged. The Bank has the obligations to return the collateral at the agreed return date. The fair value of the collateral is RMB6,477,545 thousand as at 31 December 2021 (As at 31 December 2020: RMB3,663,045 thousand). The Bank did not resell or repledge such collateral.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 37 OTHER COMPREHENSIVE INCOME FOR THE YEAR

	Before tax amount	Tax (expense)/ benefit	Net of tax amount
<b>Year ended 31 December 2021</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of financial investments measured at FVOCI	(34,032)	8,508	(25,524)
Expected credit losses of financial investments measured at FVOCI	186,100	(46,525)	139,575
<b>Other comprehensive income/(losses) for the year</b>	<b>152,068</b>	<b>(38,017)</b>	<b>114,051</b>
	Before tax amount	Tax (expense)/ benefit	Net of tax amount
<b>Year ended 31 December 2020</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of financial investments measured at FVOCI	(58,210)	14,553	(43,657)
Expected credit losses of financial investments measured at FVOCI	166,163	(41,541)	124,622
<b>Other comprehensive income/(losses) for the year</b>	<b>107,953</b>	<b>(26,988)</b>	<b>80,965</b>

### 38 NOTES TO STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	Year ended 31 December	
	2021	2020
Cash and balances with central bank	4,259,193	4,292,455
Due from and placements with banks and other financial institutions	973,410	1,297,910
<b>Total</b>	<b>5,232,603</b>	<b>5,590,365</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS

#### 39.1 Related party relationships

The related parties of the Bank mainly include: the major shareholders as well as the entities controlled by them, the key management personnel (including the Bank's directors and senior management) and their family members who have close relationships with them as well as the entities which are controlled, joint controlled or can be significantly influenced by the Bank's key management personnel or their close family members.

At 31 December 2021. The major shareholders of the Bank, holding 5% or more of the equity interest in the Bank, or holding less than 5% of the equity interest of the Bank but able to exercise significant influence over the operation and management of the Bank, were as follows:

Name of shareholders	Number of shares held (share '000)	Percentage (%)
Luzhou Laojiao Group Co., Ltd.	390,528	14.37
Luzhou Laojiao Co., Ltd.	43,392	1.60
Sichuan Jiale Enterprise Group Co., Ltd.	325,440	11.97
Sichuan Luzhou Jiale Real Estate Co., Ltd.	8,678	0.32
Luzhou Xinfu Mining Group Co., Ltd.	325,440	11.97
Luzhou Finance Bureau	193,853	7.13
Luzhou Industrial Development Investment Group Co., Ltd.	88,154	3.24
Luzhou State Owned Assets Management Co., Ltd.	173,568	6.39
Sichuan Lutianhua Co., Ltd.	13,017	0.48
Lutianhua Group Co., Ltd.	241	0.01
Luzhou Xinglu Investment Group Co., Ltd.	48,659	1.79
Luzhou Xinglu Jutai Real Estate Co., Ltd.	110,059	4.05
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.	18,007	0.66
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	13,495	0.50
<b>Total</b>	<b>1,752,531</b>	<b>64.48</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS (continued)

#### 39.1 Related party relationships (continued)

At 31 December 2020, the major shareholders of the Bank are those:

Name of shareholders	Number of shares held (share '000)	Percentage (%)
Luzhou Laojiao Group Co., Ltd.	325,440	14.37
Luzhou Laojiao Co., Ltd.	36,160	1.60
Sichuan Jiale Enterprise Group Co., Ltd.	271,200	11.97
Sichuan Luzhou Jiale Real Estate Co., Ltd.	7,232	0.32
Luzhou Xinfu Mining Group Co., Ltd.	271,200	11.97
Luzhou Finance Bureau	161,545	7.13
Luzhou Industrial Investment Group Co., Ltd.	73,462	3.24
Luzhou State Owned Assets Management Co., Ltd.	144,640	6.39
Sichuan Lutianhua Co., Ltd.	10,848	0.48
Lutianhua Group Co., Ltd.	202	0.01
Luzhou Xinglu Investment Group Co., Ltd.	40,549	1.79
Luzhou Xinglu Jutai Real Estate Co., Ltd.	91,716	4.05
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd.	15,006	0.66
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	11,246	0.50
Wudaokou Capital Limited	111,989	4.94
<b>Total</b>	<b>1,572,435</b>	<b>69.42</b>

# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 39 RELATED PARTY TRANSACTIONS (continued)

### 39.2 Related party transactions

Transactions between the Bank and related parties are conducted in accordance with general commercial terms and normal business procedures. The pricing principle is consistent with that of an independent third party transaction. The related party transactions of the Bank are as follows:

#### (1) Customer loans (including discounted bills)

	As at 31 December	
	2021	2020
Major shareholders	369,470	396,980
Other related companies	3,116,543	3,068,750
Key management personnel and their close family members	67,399	76,007
<b>Total</b>	<b>3,553,412</b>	<b>3,541,737</b>

#### (2) Loan interest income (including discounted bills)

	Year ended 31 December	
	2021	2020
Major shareholders	29,012	8,975
Other related companies	223,433	166,184
Key management personnel and their close family members	3,809	3,905
<b>Total</b>	<b>256,253</b>	<b>179,064</b>

#### (3) Deposits

	As at 31 December	
	2021	2020
Major shareholders	5,537,817	4,558,637
Other related companies	1,284,775	769,504
Key management personnel and their close family members	468,267	471,530
<b>Total</b>	<b>7,290,859</b>	<b>5,799,671</b>

#### (4) Deposit interest expense

	Year ended 31 December	
	2021	2020
Major shareholders	159,937	73,372
Other related companies	22,693	19,539
Key management personnel and their close family members	18,641	14,516
<b>Total</b>	<b>201,271</b>	<b>107,427</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS (continued)

#### 39.2 Related party transactions (continued)

##### (5) Other receivables and pre-payments

	As at 31 December	
	2021	2020
Major shareholders	70	70
Other related companies	44,262	669
<b>Total</b>	<b>44,332</b>	<b>739</b>

##### (6) Financial investments – fair value through profit or loss

	As at 31 December	
	2021	2020
Major shareholders	131,762	186,656
Other related companies	91,743	185,429
<b>Total</b>	<b>223,505</b>	<b>372,085</b>

##### (7) Net gains/(losses) on financial investments – fair value through profit or loss

	Year ended 31 December	
	2021	2020
Major shareholders	20,145	(11,771)
Other related companies	4,677	9,981
<b>Total</b>	<b>24,822</b>	<b>(1,790)</b>

##### (8) Financial investments – fair value through other comprehensive income

	As at 31 December	
	2021	2020
Major shareholders	398,239	193,198
Other related companies	423,210	419,374
<b>Total</b>	<b>821,449</b>	<b>612,572</b>



# Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 39 RELATED PARTY TRANSACTIONS (continued)

### 39.2 Related party transactions (continued)

#### (9) Interest income from financial investments – fair value through other comprehensive income

	Year ended 31 December	
	2021	2020
Major shareholders	17,395	17,279
Other related companies	33,025	32,095
<b>Total</b>	<b>50,420</b>	<b>49,374</b>

#### (10) Fees commission and income

	Year ended 31 December	
	2021	2020
Major shareholders	4	9
Other related companies	42	100
Key management personnel and their close family members	3	3
<b>Total</b>	<b>49</b>	<b>112</b>

#### (11) Key management compensation

Key management personnel refer to those who have authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank conducts normal banking transactions with key management personnel in its daily operations.

The remuneration of key management personnel during the years are as follows:

	Year ended 31 December	
	2021	2020
Remuneration, salary, allowances and benefits	5,621	5,609
Discretionary bonuses	9,276	8,469
Contribution to pension schemes	152	150
<b>Total</b>	<b>15,049</b>	<b>14,228</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS (continued)

#### 39.2 Related party transactions (continued)

##### (12) Loans guaranteed by related parties of the Bank

	As at 31 December 2021		
	Corporate loans	Personal loans	Total
Guaranteed by:			
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	2,801,069	7,620	2,808,689
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	70,600	–	70,600
Luzhou Jintong Financing Guarantee Co., Ltd.	92,500	43,640	136,140
Sichuan Hongxin Financing Guarantee Co., Ltd.	213,980	73,400	287,380
Luzhou Development Financing Guarantee Co., Ltd.	523,555	36,200	559,755
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	102,880	2,800	105,680
<b>Total</b>	<b>3,804,584</b>	<b>163,660</b>	<b>3,968,244</b>

	As at 31 December 2020		
	Corporate loans	Personal loans	Total
Luzhou Xinglu Financing Guarantee Group Co., Ltd.	3,039,455	16,925	3,056,380
Luzhou Xinglu Agricultural Financing Guarantee Co., Ltd.	79,700	–	79,700
Luzhou Jintong Financing Guarantee Co., Ltd.	98,450	51,040	149,490
Luzhou Xingyang Financing Guarantee Co., Ltd.	5,000	–	5,000
Sichuan Hongxin Financing Guarantee Co., Ltd.	250,770	99,900	350,670
Luzhou Industrial Investment and Financing Guarantee Co., Ltd.	409,316	18,950	428,266
Luxian Agriculture and SMEs Financing Guarantee Co., Ltd.	105,515	3,000	108,515
<b>Total</b>	<b>3,988,206</b>	<b>189,815</b>	<b>4,178,021</b>

For the years ended 31 December 2021 and 2020, the fees for the guarantee services provided by the related parties to the borrowers of the Bank are paid by the borrowers, and the Bank does not pay any fees to the related parties.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS (continued)

#### 39.2 Related party transactions (continued)

##### (13) Property

###### (i) *Property leasing*

Luzhou Xinglu Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank for a period of five years from 2 May 2021 to 1 May 2026. The annual rent for the first year is RMB201,600, and thereafter the rent increases by 5% over the previous year. The total rent is RMB1,113,960.

Sichuan Kangrun Real Estate Co., Ltd., a related party of the Bank, leases two properties located in Chengdu City, Sichuan Province to the Bank. The lease term is from 1 January 2021 to 31 December 2021. The total rent is RMB2,883,464.

Luzhou Guohua Asset Management Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 May 2020 to 30 April 2023. The annual rent in the first and second year were RMB888,396 separately, and the annual rent increase by 3% in the third year. The total rent is RMB2,691,840.

Yijia Real Estate Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 August 2016 to 31 July 2026. The total rent is RMB840,499.

Luzhou Jiangnan New Area Construction Investment Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 May 2016 to 1 May 2021. The total rent is RMB864,000 (The lessor was changed to Luzhou Xinglu Asset Management Co., Ltd. on 22 November 2017).

Luzhou Xinglu Jutai Real Estate Co., Ltd., a related party of the Bank, leases a property located in Luzhou City, Sichuan Province to the Bank. The lease term is from 1 September 2014 to 31 August 2022. The annual rent in the first year was RMB270,600, and the annual rent increase by 5% annually. The total rent is RMB2,584,044.

###### (ii) *Property acquisition*

Suining Jiale Yijia Industrial Development Co., Ltd, a related party of the Bank, enters into the Property Purchase Agreement with the Bank as the bid winner under a public tender on 15 June 2021. Suining Jiale Yijia Industrial Development Co., Ltd. sold a property located in Suining City, Sichuan Province to the Bank. The total sale price of the property was RMB 51,168,114.

These related party transactions are conducted in accordance with general commercial terms and normal business procedures, and their pricing principles are consistent with those of independent third party transactions.

##### (14) Government related entities

The transactions between the Bank and the government related entities proceed under normal commercial terms and conditions. These transactions mainly include provision of deposits and agency service. The Bank considers that transactions with these entities are activities conducted in the ordinary course of business. The Bank has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 39 RELATED PARTY TRANSACTIONS (continued)

#### 39.2 Related party transactions (continued)

##### (15) Others

The range of interest rates of the above transactions with related parties is listed as follows:

	As at 31 December	
	2021	2020
Customer loans	3.28%-9.00%	3.43%-9.00%
Customer deposits	0.10%-5.23%	0.10%-5.50%
Financial investments – fair value through other comprehensive income	5.50%-8.50%	8.00%-8.50%
Financial investments – fair value through profit or loss	5.85%-7.00%	5.85%-7.00%

### 40 SEGMENT ANALYSIS

The Bank's operating segments are business units which provide different financial products and service and are engaged in different types of financial transactions. As different operating segments face different clients and counterparties supported by specific techniques and market strategies, they operate independently.

The Bank has 4 operating segments: corporate banking, retailing banking, financial markets, and other categories.

Corporate banking mainly provides corporate customers with financial products and services including deposits and loans.

Retailing banking mainly provides individual customers with financial products and services including deposits and loans.

Financial markets mainly performs inter-bank lending and borrowing, bonds investment and re-purchasing activities, etc.

Others are those businesses not included in the above three segments or cannot be allocated with appropriate basis.

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 40 SEGMENT ANALYSIS (continued)

	Year ended 31 December 2021				
	Corporate Banking	Retail Banking	Financial Markets	Others	Total
Net interest income/(expense) from external customers	3,223,688	(1,497,384)	1,211,900	-	2,938,204
Inter-segment net interest income/(expense)	(1,156,087)	1,978,100	(822,013)	-	-
<b>Net interest income</b>	<b>2,067,601</b>	<b>480,716</b>	<b>389,887</b>	<b>-</b>	<b>2,938,204</b>
<b>Net fee and commission income</b>	<b>1,516</b>	<b>51</b>	<b>55,790</b>	<b>63</b>	<b>57,420</b>
Net gains on trading activities	-	-	556,697	-	556,697
Net gains arising from financial investments	-	-	209,548	-	209,548
Other operating income	-	-	-	14,450	14,450
<b>Operating income</b>	<b>2,069,117</b>	<b>480,767</b>	<b>1,211,922</b>	<b>14,513</b>	<b>3,776,319</b>
Operating expense	(826,785)	(107,697)	(569,149)	(4,159)	(1,507,790)
– Depreciation and amortisation	(91,069)	(21,191)	(67,497)	(1,049)	(180,806)
– Others	(735,716)	(86,505)	(501,653)	(3,110)	(1,326,984)
Expected credit losses	(938,756)	(139,746)	(259,456)	(14)	(1,337,972)
Share of profit of an associate	-	-	-	3,749	3,749
<b>Profit before income tax</b>	<b>303,576</b>	<b>233,324</b>	<b>383,317</b>	<b>14,089</b>	<b>934,306</b>
<b>Capital expenditure</b>	<b>99,941</b>	<b>23,256</b>	<b>74,072</b>	<b>1,152</b>	<b>198,421</b>
<b>As at 31 December 2021</b>					
<b>Segment assets</b>	<b>67,750,275</b>	<b>15,765,426</b>	<b>50,213,664</b>	<b>780,763</b>	<b>134,510,128</b>
<b>Segment liabilities</b>	<b>(42,152,803)</b>	<b>(53,270,634)</b>	<b>(29,376,890)</b>	<b>(7,644)</b>	<b>(124,807,971)</b>

## Notes to the Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 40 SEGMENT ANALYSIS (continued)

	Year ended 31 December 2020				
	Corporate Banking	Retail Banking	Financial Markets	Others	Total
Net interest income/(expense) from external customers	2,529,948	(1,133,511)	1,360,005	-	2,756,442
Inter-segment net interest income/(expense)	(824,449)	1,495,251	(670,802)	-	-
<b>Net interest income</b>	<b>1,705,499</b>	<b>361,740</b>	<b>689,203</b>	<b>-</b>	<b>2,756,442</b>
<b>Net fee and commission income</b>	<b>2,544</b>	<b>344</b>	<b>2,149</b>	<b>48</b>	<b>5,085</b>
Net gains on trading activities	-	-	248,104	-	248,104
Net gains arising from financial investments	-	-	117,061	-	117,061
Other operating income	-	-	-	28,028	28,028
<b>Operating income</b>	<b>1,708,043</b>	<b>362,084</b>	<b>1,056,517</b>	<b>28,076</b>	<b>3,154,720</b>
Operating expense	(609,669)	(85,335)	(475,691)	(5,971)	(1,176,666)
- Depreciation and amortisation	(82,721)	(19,061)	(73,176)	(938)	(175,896)
- Others	(526,948)	(66,274)	(402,515)	(5,033)	(1,000,770)
Expected credit losses	(869,509)	(94,383)	(278,337)	(12)	(1,242,241)
Share of profit of an associate	-	-	-	4,437	4,437
<b>Profit before income tax</b>	<b>228,865</b>	<b>182,366</b>	<b>302,489</b>	<b>26,530</b>	<b>740,250</b>
<b>Capital expenditure</b>	<b>54,109</b>	<b>12,468</b>	<b>47,867</b>	<b>614</b>	<b>115,058</b>
<b>As at 31 December 2020</b>					
<b>Segment assets</b>	<b>55,909,827</b>	<b>12,883,238</b>	<b>49,459,068</b>	<b>634,126</b>	<b>118,886,259</b>
<b>Segment liabilities</b>	<b>(42,856,657)</b>	<b>(42,908,980)</b>	<b>(24,166,771)</b>	<b>(4,902)</b>	<b>(109,937,310)</b>

There is no high reliance of the Bank to any of the major external customers.

### 41 SUBSEQUENT EVENTS

Up to the date of this report, the Bank has no material event for disclosure after the reporting date.

# Unaudited Supplementary Financial Information

The information set out below does not form part of the audited financial statements, and is included herein for information purpose only.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

### 1 LIQUIDITY RATIOS AND LEVERAGE RATIO

#### (1) Liquidity ratios

	As of December 31, 2017
RMB current assets to RMB current liabilities	48.42%
Foreign currency current assets to foreign currency current liabilities	N/A
	As of December 31, 2018
RMB current assets to RMB current liabilities	73.40%
Foreign currency current assets to foreign currency current liabilities	N/A
	As of December 31, 2019
RMB current assets to RMB current liabilities	83.72%
Foreign currency current assets to foreign currency current liabilities	N/A
	As of December 31, 2020
RMB current assets to RMB current liabilities	83.02%
Foreign currency current assets to foreign currency current liabilities	N/A
	As of December 31, 2021
RMB current assets to RMB current liabilities	<b>87.79%</b>
Foreign currency current assets to foreign currency current liabilities	<b>N/A</b>

## Unaudited Supplementary Financial Information

### (2) Leverage ratio

	As of December 31,				
	2017	2018	2019	2020	2021
Leverage ratio	5.69%	6.88%	6.81%	6.77%	<b>7.08%</b>

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the China Banking Regulatory Commission (the “CBRC”) and was effective since April 1, 2015, a minimum leverage ratio of 4% is required.

The above liquidity ratios and leverage ratio were calculated in accordance with the formulas promulgated by the CBRC, and based on the financial information prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance in the People’s Republic of China.



# Definitions

<b>“Articles of Association” or “Articles”</b>	the articles of association of the Bank, as amended from time to time
<b>“associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Board of Supervisors”</b>	the board of Supervisors of the Bank
<b>“Board” or “Board of Directors”</b>	the board of Directors of our Bank
<b>“CBIRC”</b>	China Banking and Insurance Regulatory Commission
<b>“CBRC”</b>	China Banking Regulatory Commission (中國銀行業監督管理委員會)
<b>“China” or “PRC”</b>	the People’s Republic of China, but for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
<b>“Bank”, “our Bank”, “we”, “us” or “Luzhou Bank”</b>	Luzhou Bank Co., Ltd. (泸州银行股份有限公司)
<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“CSRC”</b>	China Securities Regulatory Commission (中國證券監督管理委員會)
<b>“CBIRC Sichuan Office”</b>	China Banking and Insurance Regulatory Commission Sichuan Office
<b>“Director(s)”</b>	the director(s) of our Bank
<b>“Domestic Shares”</b>	ordinary shares in our share capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
<b>“Global Offering”</b>	the Hong Kong Public Offering and the International Offering, details are set out in the Prospectus
<b>“HK\$” or “HKD” or “Hong Kong Dollars”</b>	Hong Kong Dollars, the lawful currency of Hong Kong
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hong Kong Companies Ordinance”</b>	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
<b>“Hong Kong Stock Exchange” or “Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“H Shares”</b>	the overseas listed foreign shares in the ordinary share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange

## Definitions

<b>“IAS”</b>	International Accounting Standards and its interpretations
<b>“IFRS”</b>	International Financial Reporting Standards issued by the International Accounting Standards Board
<b>“Listing”</b>	the listing of the H Shares on the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Main Board”</b>	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
<b>“MOF”</b>	Ministry of Finance of the PRC (中華人民共和國財政部)
<b>“Prospectus”</b>	the prospectus of the Global Offering of the Bank
<b>“Reporting Period”</b>	the full year from January 1, 2021 to December 31, 2021
<b>“RMB” or “Renminbi”</b>	the lawful currency of the PRC
<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
<b>“Shareholder(s)”</b>	the holder(s) of the Shares
<b>“Shares”</b>	the domestic shares and H shares of the Bank
<b>“State Council”</b>	the State Council of the PRC (中華人民共和國國務院)
<b>“subsidiary(ies)”</b>	has the meaning ascribed to it under Section 2 of the Companies Ordinance
<b>“Supervisor(s)”</b>	the supervisor(s) of the Bank
<b>“U.S.”</b>	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
<b>“US\$”, “USD” or “U.S. dollars”</b>	United States dollars, the lawful currency of the U.S.



泸州银行股份有限公司  
LUZHOU BANK CO., LTD.