



郑州银行
BANK OF ZHENGZHOU

郑州银行股份有限公司

BANK OF ZHENGZHOU 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 Stock Code: 6196

優先股股份代號 Preference Shares Stock Code: 4613



2021

ANNUAL REPORT
年 度 報 告



This annual report is printed on
environment-friendly paper

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* This Report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The full text and the summary of the 2021 annual report (the “**Report**”) were reviewed and approved at the Bank’s fourth meeting of the seventh session of the Board of Directors on 30 March 2022. 12 Directors were eligible to attend the meeting, 11 of whom attended in person and 1 by proxy. Mr. Ji Hongjun, a non-executive Director, appointed Mr. SHEN Xueqing, an executive Director, as his proxy to attend and vote at the meeting. Several Supervisors of the Bank attended the meeting.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd.

The Bank prepared the 2021 annual financial report in accordance with the PRC GAAP and International Financial Reporting Standards, which was audited by KPMG Huazhen LLP and KPMG under the PRC and Hong Kong standards on auditing, respectively. The two firms issued an audit report and an independent auditor’s report respectively, which were both standard and unqualified.

Mr. WANG Tianyu, the legal representative and chairman of the Bank, Mr. SHEN Xueqing, the president of the Bank, Mr. SUN Haigang, the person-in-charge of accounting of the Bank, and Ms. GAO Chenxin, the head of accounting department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in this Report.

The Board of the Bank recommended not to distribute cash dividend, bonus share, or issue new shares by way of conversion of capital reserve in 2021. The profit distribution plan will be proposed at the 2021 annual general meeting for approval.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are detailed in this Report. For further information, please refer to the relevant information in the sections headed “Risk Management” and “Outlook” in the chapter headed “Management Discussion and Analysis” of this Report.

DEFINITIONS

DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“2020 AGM”	the annual general meeting of the Bank convened on 17 June 2021
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the SZSE (stock code: 002936)
“A Shareholder(s)”	holder(s) of A Share(s)
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Capitalization Issue”	the issue of one new Share for every 10 Shares held by way of capitalization of capital reserve in 2021 as the dividend distribution plan of the Bank for the year ended 31 December 2020
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“Company Law”	Company Law of the People’s Republic of China
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules (as of 1 January 2022, Appendix 14 has been renamed and restructured)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd. (扶溝鄭銀村鎮銀行股份有限公司)

DEFINITIONS

“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“H Shareholder(s)”	holder(s) of H Share(s)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	30 March 2022, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd. (確山鄭銀村鎮銀行股份有限公司)
“Reporting Period”	the period from 1 January 2021 to 31 December 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Shares and the H Shares
“Shareholder(s)” or “Ordinary Shareholder(s)”	holder(s) of the Ordinary Share(s)
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	Shenzhen Stock Exchange
“SZSE Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd. (新密鄭銀村鎮銀行股份有限公司)
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd. (新鄭鄭銀村鎮銀行股份有限公司)
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd. (浚縣鄭銀村鎮銀行股份有限公司)
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd. (鄆陵鄭銀村鎮銀行股份有限公司)
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd. (中牟鄭銀村鎮銀行股份有限公司)

* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.*

CHAIRMAN'S STATEMENT

In 2021, we solemnly celebrated the 100th anniversary of the founding of the Communist Party of China. At this juncture of history, China won the battle against poverty as scheduled, and built a well-off society in an all-round way to achieve the first centennial goal, making a great contribution to the great rejuvenation of the Chinese nation. Meanwhile, however, the world entered the post-pandemic era, and international relations became unprecedentedly complex under the disruptive changes unseen in a century. As the lifeline of the national economy, the financial industry experienced ups and downs with the historical waves. Bank of Zhengzhou as a drop in a bucket fluctuated in tandem with the industry. The good news is that we lived up to our original aspiration and mission and once again safeguarded our position to make several milestone achievements.

We helped people fight against flood and COVID-19. In July 2021, Henan Province suffered extreme heavy rainfall. In particular, a new hourly rainfall record of mainland China was recorded in Zhengzhou. After the flood, Zhengzhou was hit by a sudden outbreak of COVID-19. The torrential rain and COVID-19 are ruthless, but people are affectionate. Faced with flood and COVID-19 outbreak, the Bank acted upon the government order and carried out a series of flood control, disaster relief and anti-COVID-19 activities with the top priority of ensuring the safety of people's lives and property. We organised employees to rescue themselves in a timely manner, opened relief channels, set up green channels and relief stations for flood control in all service outlets, provided flood control and disaster relief supplies, and participated in flood control and anti-epidemic volunteer activities, including donating money and supplies to support relief efforts. We also introduced emergency loans for flood control and pandemic prevention, and provided businesses and merchants with favourable policies such as temporary deferral of principal and interest payment, credit protection, fee reduction, etc.

We served people and supported regional development. In 2021, General Secretary Xi Jinping, with his love for the land of the central plains, visited Henan Province in person and delivered an important speech. The Bank followed the spirit of the speech and devoted itself to the passionate efforts of building an ideal homeland. Bank of Zhengzhou is a bank for the people. We uphold a mission to help people live and work in peace and contentment and satisfy their basic necessities. We continued to support the construction of Zhengzhou as a national central city, the ecological protection of the Yellow River Basin and the construction of the Grand Canal, the construction of various infrastructures, and the further promotion of inclusive finance. Meanwhile, we yearn for the land under our feet to become an open province with a strong economy, great culture and green ecology, which is in line with Henan Province's plan to build a national innovation highland and the strategy of rural revitalisation. We have given strategic priority to supporting technology finance and rural revitalisation. During the year, the Bank issued innovative and entrepreneurial financial bonds of RMB5 billion and stepped up efforts to build rural service sites as the seeds being spread, in the hope to harvest a "responsible field" that boosts regional development.

We carried out the "Five & Four Strategy" to stand with the people. In 2021, we endowed the "Ding Culture" with a new mission of the times and upgraded it to "Heart Culture" where our hearts are linked together. On this basis, we enriched our strategic plans and put forward the "Five & Four Strategy" with a wider coverage. "Five" refers to the construction of "Five Clouds" which are designed to better serve corporate customers; "Four" refers to "Four New Types of Finance", i.e. technological innovation finance, small and micro enterprise finance, citizen finance and rural finance, which are designed to benefit retail customers. The affairs in the world concern tens of thousands of households. We adhere to the mission of "making life better with finance", and deliver financial services to corporate parks, rural fields and citizens in a soft and resilient way, thereby serving the society in a down-to-earth manner to gaze at twinkling stars and smell the fragrance of earth.

The 20th National Congress of the Communist Party of China will be held in 2022. 14 years on, the Olympic flame was ignited again in China. I hereby borrow the theme of the Winter Olympics and wish the Bank to stand with the people "Together for a Shared Future"!

WANG Tianyu
Chairman

PRESIDENT'S STATEMENT

2021 was a year of hope and challenges. While structural reform and transformation met with tight regulation and a weak market, the province was hit by COVID-19 outbreak and flood. In this context, Bank of Zhengzhou experienced a lot, was touched a lot, and gained a lot. Under the correct leadership of the Bank's Party committee and Board of Directors, the Bank worked hard to overcome difficulties and forge ahead, and continued to promote high-quality development engaging everyone.

On the basis of stability, we have more confidence in high-quality development. As at the end of the Reporting Period, the Bank had total assets of RMB574,980 million, representing an increase of 4.96% over the end of the previous year; total deposits from customers of RMB318,813 million, representing an increase of 1.46% over the end of the previous year; and gross loans and advances to customers of RMB289,028 million, representing an increase of 21.46% over the end of the previous year. During the Reporting Period, the Bank recorded a net profit of RMB3,398 million, representing a year-on-year increase of 2.32%. Its total assets, deposit balance, loan balance and net profit ranked 19th, 23rd, 17th, and 21st respectively among city commercial banks in China.

We did our part and stepped up support for the real economy. The Bank launched a series of measures, including "double prevention loan", "work resumption loan", credit protection and deferred repayment of principal and interest, to help enterprises tide over the difficult time; promoted the targeted issuance of RMB3 billion of post-disaster reconstruction loans to bail enterprises out with concrete actions; issued innovative and entrepreneurial financial bonds of RMB5 billion to help speed up technological innovation; and made full use of its B-class lead underwriting qualification to underwrite RMB14.5 billion of bonds of all types in the year, accounting for 12% of all debt financing instruments issued in the province and ranking among the best in terms of the number of tranches and the total amount underwritten.

We kept innovating to create broader prospects for transformation and development. Based on the strategy of "Four New Types of Finance", the Bank made every effort to contribute to the province's technological innovation and high-quality socio-economic development. In respect of technological innovation finance, the Bank brought financial resources to 503 technological innovation companies in Henan Province. Our "Zheng Tech Loan" business scale ranked first among more than 20 financial institutions engaged in the business. In an effort to support the construction of Zhongyuan "Smart Island" as a platform for entrepreneurship and innovation, the Bank contracted with Zhongyuan Science and Technology City to build a financial innovation lab, with a view to creating a role model of "finance supporting technology". In respect of small and micro enterprise finance, the Bank participated in the province's "10,000 people helping 10,000 enterprises" initiative and implemented the "Three in one Batch" requirement, and has released and approved (yet to release) nearly RMB15 billion of loans, forming a unique feature and advantage. In respect of rural finance designed to boost rural revitalization, the Bank stepped up efforts to build rural service sites to cover rural areas with financial services, with a growth rate of 40% in inclusive agriculture-related loans. In respect of citizen finance, the Bank focused on people's livelihood and deeply participated in the province's upgrade to the third-generation social security card. Specifically, the Bank issued over 110,000 such cards in 12 prefecture-level cities across the province, and opened a green channel for more than 14,000 small and micro merchants, thus enabling last-mile delivery of citizen services.

PRESIDENT'S STATEMENT

We strictly controlled risks to improve the quality of asset portfolio. Taking the disposal of risky assets as the top priority, the Bank mobilized all employees to make coordinated efforts in giving play to the role of the large-value asset management center and to comprehensively use various means such as bulk transfer to dispose of non-performing assets. We continued to improve our unified post-loan management and unified file management, strictly implemented concentration limit management, and reduced the business volume with anonymous customers, real estate loans and business volume outside Henan Province. As at the end of the Reporting Period, the Bank's non-performing loan (the "NPL") ratio was 1.85%, down 0.23 percentage point from the end of 2020.

We honored the spirit of helping each other and upheld the mission to serve the society. Faced with the challenges from flood and COVID-19 outbreak, all employees of Bank of Zhengzhou had zero infection and zero casualties, and made contributions to flood relief and anti-COVID-19 efforts while providing uninterrupted services. We voluntarily donated more than RMB4 million to disaster-stricken areas and charity organizations, making a modest contribution to the early restoration of economic and living order in the region. By weathering disasters and overcoming difficulties together, we strengthened our relationship with customers, our ties with people from all walks of life, and the camaraderie of employees.

Starlight will not fail those moving on a journey. In 2022, the Communist Party of China will hold the 20th National Congress, which is of great significance and far-reaching influence. The Bank will maintain its original intention and mission, adhere to the development orientation to "Three Services", practice the vision of "making life better with finance", empower economic development, contribute to the improvement of people's livelihood, and add luster to the people's better life, so as to make greater contributions to the 20th National Congress of the CPC!

SHEN Xueqing
President

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司(Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorized representatives:	Mr. WANG Tianyu, Mr. XIA Hua ⁽¹⁾
Board secretary and contact details:	Mr. XIA Hua ⁽¹⁾ Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. XIA Hua, Dr. NGAI Wai Fung ⁽¹⁾
Securities affairs representative and contact details:	Mr. WANG Yongfeng Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock short names and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal codes of the registered address and office address:	450018
Historical change of registered address	The registered address of the Bank was changed from “55 Mianfang Road, Erqi District, Zhengzhou” to “Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou” on 17 December 2000, and from “Hezhong Zonghe Building, 1 Yousheng North Road, Zhengzhou” to “22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou” on 28 December 2010.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Principal place of business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the annual report of A Shares: www.cninfo.com.cn Website for publishing the annual report of H Shares: www.hkexnews.hk
Place where the annual report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	Mr. GONG Kai, Ms. LIU Jie
International auditor:	KPMG (<i>Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance</i>)
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen, China
Sponsor representatives:	Ms. MA Jianhong and Mr. HUANG Rendong ⁽²⁾
Continuous supervision period:	From 19 September 2018 to 31 December 2021
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

Notes:

- On 27 August 2021, Mr. FU Chungqiao no longer served as the secretary to the Board, joint company secretary and authorized representative of the Bank, and Mr. XIA Hua was appointed as the secretary to the Board, joint company secretary and authorized representative of the Bank. On 28 February 2022, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary of the Bank, and Dr. NGAI Wai Fung was appointed as the joint company secretary of the Bank.
- On 24 August 2021, due to the resignation of Ms. LV Yingxia, Mr. HUANG Rendong succeeded her as the sponsor representative for the non-public issuance of A Shares.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

2 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report is prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	2021	2020	Year-on-year increase/ decrease (%)	2019	2018	2017
Operating results						
Operating income ⁽¹⁾	14,810,905	14,579,669	1.59	13,440,214	11,133,655	10,212,985
Total profit	3,988,138	4,012,467	(0.61)	4,006,026	3,809,906	5,547,260
Net profit attributable to Shareholders of the Bank	3,226,192	3,167,567	1.85	3,285,122	3,058,831	4,280,024
Net cash flow used in operating activities	(42,619,059)	(11,179,309)	281.23	(7,850,803)	(25,819,469)	(1,981,394)
Calculated on a per Share basis (RMB/Share)						
Basic earnings per Share ⁽²⁾	0.33	0.36	(8.33)	0.43	0.47	0.80
Diluted earnings per Share ⁽²⁾	0.33	0.36	(8.33)	0.43	0.47	0.80
Scale indicators						
	As at the end of 2021	As at the end of 2020	Year-on-year increase/ decrease (%)	As at the end of 2019	As at the end of 2018	As at the end of 2017
Total assets	574,979,662	547,813,444	4.96	500,478,127	466,142,418	435,828,887
Gross loans and advances to customers (excluding accrued interest)	289,027,668	237,959,190	21.46	195,911,665	159,572,792	128,456,478
Provision for impairment losses on loans and advances to customers ⁽⁴⁾	8,369,541	7,931,775	5.52	7,424,847	6,097,376	4,000,536
Total liabilities	515,568,122	501,841,523	2.74	460,586,505	428,278,919	402,389,522
Total deposits from customers (excluding accrued interest)	318,813,451	314,230,420	1.46	289,216,860	264,130,934	255,407,398
Share capital	8,265,538	7,514,125	10.00	5,921,932	5,921,932	5,321,932
Shareholders' equity	59,411,540	45,971,921	29.23	39,891,622	37,863,499	33,439,365
Including: equity attributable to Shareholders of the Bank	57,766,182	44,494,897	29.83	38,590,322	36,649,739	32,205,887
Net assets per Share attributable to Ordinary Shareholders of the Bank ⁽³⁾	4.83	4.88	(1.02)	4.72	4.87	4.58
Net capital base ⁽⁵⁾	63,166,634	52,679,369	19.91	46,215,496	45,958,462	41,614,453
Including: net tier-one capital ⁽⁵⁾	57,931,340	44,492,918	30.20	38,353,128	36,618,138	32,262,545
Total risk-weighted assets ⁽⁵⁾	421,013,820	409,505,750	2.81	381,759,225	349,504,822	307,474,718

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Major financial indicators	2021	2020	Year-on-year change	2019	2018	2017
Capital adequacy ratio (%)						
Core tier-one capital adequacy ratio ⁽⁵⁾	9.49	8.92	0.57	7.98	8.22	7.93
Tier-one capital adequacy ratio ⁽⁵⁾	13.76	10.87	2.89	10.05	10.48	10.49
Capital adequacy ratio ⁽⁵⁾	15.00	12.86	2.14	12.11	13.15	13.53
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁶⁾	1.85	2.08	(0.23)	2.37	2.47	1.50
Allowance to non-performing loans ⁽⁶⁾	156.58	160.44	(3.86)	159.85	154.84	207.75
Allowance to total loans ⁽⁶⁾	2.90	3.33	(0.43)	3.79	3.82	3.11
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans ⁽⁷⁾	82.97	96.11	(13.14)	89.52	95.36	171.13
Profitability indicators (%)						
Weighted average return on net assets ⁽²⁾	7.17	8.37	(1.20)	9.30	10.03	18.82
Return on total assets ⁽⁸⁾	0.61	0.63	(0.02)	0.70	0.69	1.08
Cost-to-income ratio ⁽⁹⁾	23.06	22.53	0.53	26.62	27.96	26.15
Net interest spread ⁽¹⁰⁾	2.24	2.46	(0.22)	2.29	1.77	1.94
Net interest margin ⁽¹¹⁾	2.31	2.40	(0.09)	2.16	1.70	2.08
Other financial indicators (%)						
Leverage ratio ⁽¹²⁾	8.72	6.63	2.09	6.34	6.79	6.49
Liquidity ratio ⁽¹²⁾	63.72	70.41	(6.69)	56.44	56.39	61.72
Liquidity coverage ratio ⁽¹²⁾	339.61	353.94	(14.33)	300.37	304.42	225.20
Loan-to-deposit ratio ⁽¹²⁾	98.13	82.63	15.50	72.33	66.06	50.29
Percentage of loans to the single largest customer ⁽¹²⁾	4.75	3.61	1.14	4.11	4.13	3.12
Percentage of loans to the top ten single customers ⁽¹²⁾	27.66	26.17	1.49	26.94	21.46	22.01
Percentage of credit granted to the single largest group customer ⁽¹²⁾	4.93	6.15	(1.22)	7.01	6.02	4.66
Normal loan migration ratio ⁽¹²⁾	4.58	4.68	(0.10)	3.43	8.81	10.35
Special mention loan migration ratio ⁽¹²⁾	48.26	33.16	15.10	28.96	55.14	58.55
Substandard loan migration ratio ⁽¹²⁾	1.35	68.76	(67.41)	97.76	76.71	29.46
Doubtful loan migration ratio ⁽¹²⁾	4.27	–	4.27	0.34	0.14	0.07

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
2. Basic earnings per Share, diluted earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision).

In October 2021, the Bank distributed the dividends on the Offshore Preference Shares. In calculating basic earnings per Share, diluted earnings per Share and weighted average return on net assets, the distributed dividends of the Offshore Preference Shares for the period have been deducted from the “net profit attributable to Ordinary Shareholders of the Bank”, and the distributed dividends of the Offshore Preference Shares and other equity instruments for the period have been deducted from the “weighted average net assets”.

In December 2021, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of conversion of capital reserve. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 7,514,125,090 to 8,265,537,599. Basic earnings per Share and diluted earnings per Share during the comparison period were recalculated on the basis of the number of Shares after the Capitalization Issue. For details, please refer to “1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period” of “1 CHANGES IN ORDINARY SHARES” in the chapter headed “CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS” of this Report.

3. Representing the equity attributable to Ordinary Shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
4. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
5. The capital adequacy ratio and relevant data are calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) of the CBIRC and relevant requirements. The calculations are based on statutory financial statements of the Bank prepared under China Accounting Standards for Business Enterprises.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by the gross loan and advance principal to customers (excluding accrued interest).
7. Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans is calculated by total principal of loans with principal or interest overdue for more than 90 days (excluding accrued interest) divided by total principal of non-performing loans (excluding accrued interest).
8. Representing the percentage of net profit for the Reporting Period to the average balance of total assets at the beginning and the end of the period.
9. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.
10. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on daily average of the interest-earning assets and the interest-bearing liabilities.
11. Calculated by dividing net interest income by the daily average interest-earning assets based on daily average interest-earning assets.
12. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on audited data, other indicators represented data reported to regulatory authorities. Loan migration ratios were based on the criteria of the parent of the Bank.

CHAPTER I CORPORATE INFORMATION AND MAJOR FINANCIAL INDICATORS

3 DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The Bank's net assets as at the end of the Reporting Period and the net profit during the Reporting Period as calculated in accordance with the Accounting Standards for Business Enterprises of the PRC is the same as that calculated in accordance with International Financial Reporting Standards.

4 MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB'000

Item	Fourth quarter of 2021	Third quarter of 2021	Second quarter of 2021	First quarter of 2021
Operating income	4,380,215	3,485,826	3,757,569	3,187,295
Net profit attributable to Shareholders of the Bank	(105,622)	877,943	1,328,615	1,125,256
Net cash flow used in operating activities	(16,772,669)	(20,282,583)	(2,876,126)	(2,687,681)

Note: There is no substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly reports and interim report of the Bank.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMIC ENVIRONMENT AND INDUSTRY

In 2021, faced with complex situations at home and abroad and various risks and challenges, China took on a leading position in economic development and pandemic control, maintained its economic development within a reasonable range, made progress in building the new development pattern, and accomplished new achievements in high-quality development, marking a good start of the “14th Five-Year Plan” period. Firstly, economy showed steady recovery. China’s gross domestic product (“GDP”) for the year reached RMB114,367.0 billion, representing a year-on-year increase of 8.1% and meeting the expected economic growth target of over 6% for the year. In particular, the primary, secondary and tertiary sectors showed a year-on-year growth of 7.1%, 8.2% and 8.2%, respectively. Secondly, industrial production made progress while maintaining stability. The added value of nation’s industries above designated size recorded a year-on-year increase of 9.6%, up by 6.8 percentage points from 2020. Average annual growth rate for the last two years reached 6.1%, close to the average level of normal years and representing steady recovery of production. Thirdly, the service sector achieved a good start for the year. In 2021, the added value of the service sector was RMB60,968 billion, representing a year-on-year growth of 8.2% and an average annual growth rate of 5.0% for the last two years. The added value of the service sector accounted for 53.3% of GDP, contributed 54.9% of the economic growth and 4.5 percentage points of GDP growth. Fourthly, the scale of consumer market steadily expanded. In 2021, the total retail sales of consumer goods reached RMB44.1 trillion, representing an increase of 12.5% year-on-year or 8% as compared to 2019. After deducting the price factor, the total retail sales of consumer goods increased by 10.7% in real terms. Fifthly, investment in fixed assets continued to increase. The annual investment in fixed assets (excluding rural households) reached RMB54,454.7 billion, representing an increase of 4.9% year-on-year or 8.0% as compared to 2019 and an average annual growth rate of 3.9% for the last two years. In particular, private fixed asset investment was RMB30,765.9 billion, representing a year-on-year increase of 7.0%. Sixthly, gross national income grew steadily. The per capita disposable income reached RMB35,128 in 2021, representing a year-on-year growth of 9.1% in nominal terms and 8.1% in real terms after deducting the price factor, which is faster than the growth of GDP per capita and basically in line with economic growth. Steadily grew from low base in the previous year, the per capita disposable income registered an average annual growth rate of 6.9% in nominal terms and 5.1% in real terms for the last two years. Seventhly, the trade structure continued to improve. The total imports and exports of goods grew by 21.4% year-on-year to RMB39,100.9 billion, of which exports amounted to RMB21,734.8 billion and imports RMB17,366.1 billion, representing an increase of 21.2% and 21.5%, respectively. The exports exceeded the imports to record trade surplus of RMB4,368.7 billion. The imports and exports of general trade increased by 24.7%, accounting for 61.6% of the total imports and exports and up by 1.6 percentage points from the previous year. The imports and exports of private enterprises increased by 26.7%, accounting for 48.6% of the total imports and exports and up by 2 percentage points as compared to the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, China kept its prudent monetary policy flexible, accurate, at a reasonable and appropriate and restored its operations largely to pre-pandemic level, maintaining a leading position in macro policies around the world. In 2021, total stock of social financing amounted to RMB314.13 trillion, representing a year-on-year increase of 10.3%, while increments of social financing amounted to RMB31.35 trillion, down by RMB3.44 trillion from the same period last year and up by RMB5.68 trillion as compared to 2019. The balance of broad money (M2) was RMB238.29 trillion, representing a year-on-year increase of 9%, and the growth rate was 1.1 percentage points lower than the same period last year. The balance of RMB and foreign currency loans reached RMB198.51 trillion, representing a year-on-year increase of 11.3%, of which the balance of RMB loans was RMB192.69 trillion, increased by 11.6% year-on-year or RMB19.95 trillion, which is RMB315 billion more than the increased amount of the last year. The balance of RMB and foreign currency deposits reached RMB238.61 trillion, representing a year-on-year increase of 9.3%, of which the balance of RMB deposits was RMB232.25 trillion, increasing by 9.3% year-on-year or RMB19.68 trillion, which is RMB32.3 billion more than the increased amount of the last year. In the interbank RMB market, a total of RMB1,378.38 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledged repo were 2.02% and 2.09%, respectively, which were 0.72 and 0.73 percentage point higher than those for the same period last year.

Faced with the complex and severe development environment and the intersection of various risks and challenges in 2021, Henan's economic growth showed strong resilience in line with the principle of forging ahead and pursuing progress while ensuring stability established by Henan Provincial Committee and Provincial People's Government. Firstly, the province's economy steadily recovered. In 2021, the province's GDP was RMB5,888,741 million, representing an increase of 6.3% year-on-year and an average annual growth rate of 3.6% for the last two years. In particular, the added value of the primary, secondary and tertiary sectors increased by 6.4%, 4.1% and 8.1%, respectively. Secondly, industrial economy sustained a steady recovery. The added value of province's industries above designated size increased by 6.3% year-on-year. 33 out of 40 or 82.5% of the industries operated in the province recorded growth. The added value of the five leading industries increased by 9.6% year-on-year, registering 3.3 percentage points higher than that of province's industries above designated size and contributing 4.4 percentage points to the increase in that of province's industries above designated size. Thirdly, investment in fixed assets revived steadily. Industrial investment of the province increased by 11.7%, higher than that of the nation by 0.3 percentage point. Investment in infrastructure and real estate development recorded year-on-year increase of 0.3% and 1.2%, respectively, lower than the total investment growth by 4.2 and 3.3 percentage points. Investment in new projects increased by 8.0% year-on-year, higher than the total investment growth by 3.5 percentage points. Fourthly, consumer goods market continued to pick up. The province's total retail sales of consumer goods grew by 8.3% year-on-year. The retail sales of grain, oil and food, beverages, and daily necessities above designated size increased by 10.6%, 11.3% and 14.3%, respectively, all of which are higher than the growth of retail sales of goods above designated size. Fifthly, the service industry showed satisfactory recovery. The added value of the province's service industry increased by 8.1% year-on-year, higher than the growth of the GDP and the added value of the secondary sector by 1.8 and 4.0 percentage points, respectively. The province's cargo shipping volume and turnover volume grew by 16.2% and 20.1%, respectively, while the total volume of postal services and telecommunication operation grew by 28.2% and 33.8%, respectively. As at the end of December, the balance of RMB deposit and RMB loans of the province's financial institutions increased by 7.8% and 10.5%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, thanks to the efficient and effective prevention and control of the COVID-19 pandemic and the precise implementation of macro-control policies, China led the world in economic recovery, resulting in steady growth of the scale, sound profitability, stable asset quality, improving operating quality and efficiency of China's banking industry. The total assets of China's commercial banks grew steadily. The local and foreign currency assets of financial institutions in the banking industry reached RMB344.8 trillion, representing a year-on-year increase of 7.8%. The quality of credit assets remained generally stable, with an NPL balance of RMB2.8 trillion and an NPL ratio of 1.73%. Profits remained stable, with a total net profit amounting to RMB2.2 trillion, representing an average capital profit margin of 9.64% and an average return on assets of 0.79%. Risk compensation capability was relatively strong, with the balance of provisions for NPL amounting to RMB5.6 trillion and the provision coverage ratio and loan provision ratio standing at 196.91% and 3.40%, respectively. Financial services continued to expand, with the balance of loans from banking financial institutions to small and micro enterprises reaching RMB50.0 trillion. Liquidity remained at a stable level, with liquidity coverage ratio, liquidity ratio, RMB excess reserve ratio and the loan-to-deposit ratio standing at 145.30%, 60.32%, 2.05% and 79.69%, respectively. With the accelerated formation of the new development pattern of "dual circulation", the strong fiscal and monetary policies and the steady reform of the financial market, the banking industry has stood at a new starting point. Faced with the new situation, the banking industry needs to accurately grasp the opportunities and actively tackle the challenges, creating new growth points with business innovation to embark on a new journey of high-quality transformation and development.

2 BUSINESS REVIEW

2.1 Primary Business

Bank of Zhengzhou is a regional joint stock commercial bank established in November 1996. The Bank went public on the Hong Kong Stock Exchange in December 2015 and was listed on the SZSE in September 2018, becoming the first domestic city commercial bank listed on both the A-share and H-share markets. The Bank is positioned to serve the local economy, urban and rural residents and small and medium-sized enterprises (SMEs). To this end, the Bank proactively implements national strategies and major strategic decisions and arrangements of the province and city, upholds its unique positioning as "a commerce and logistics bank, an SME financing expert, and a boutique bank for residents", deepens reforms and business transformation, and employs the "Five & Four Strategy" to promote high-quality development with "Five Clouds" and "Four New Types of Finance", in an effort to provide customers with high-quality, convenient and efficient integrated financial services.

The Bank is primarily engaged in corporate banking, retail banking and treasury business. The Bank provides corporate banking customers with diversified financial products and services, including corporate loans (including trade finance), international business and services, corporate deposits, and products and services involving handling fees and commissions. The Bank provides retail banking customers with a wide range of products and services, including loans, deposits, bank cards and products and services involving handling fees and commissions. The Bank's treasury business seeks to maximize the return on funds for non-loan purposes while meeting its liquidity needs. The Bank's treasury business mainly includes money market transactions, investment in securities and other financial assets, bond underwriting and distribution, inter-bank discounting and rediscounting of bills, and treasury business conducted on behalf of customers.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operational Performance

Major business indicators remained stable. As at the end of the Reporting Period, the Bank had total assets of RMB574,980 million, representing an increase of 4.96% from the end of the previous year; total deposits from customers of RMB318,813 million, representing an increase of 1.46% from the end of the previous year; and gross loans and advances to customers of RMB289,028 million, representing an increase of 21.46% from the end of the previous year. During the Reporting Period, the Bank recorded an operating income of RMB14,811 million, representing a year-on-year increase of 1.59%; a net profit of RMB3,398 million, representing a year-on-year increase of 2.32%; a net interest margin of 2.31% and a cost-to-income ratio of 23.06%. The Bank's capital adequacy ratio, NPL ratio and allowance to NPL ratio were 15.00%, 1.85% and 156.58% respectively, all meeting the regulatory requirements.

We undertook the responsibility to boost regional development. The Bank participated in the establishment of Henan's credit insurance fund with a committed capital of RMB300 million and a total credit facility of RMB1.6 billion; promoted the lead underwriting business of non-financial corporate debt financing instruments, with a total issuance amount of RMB14.5 billion; issued innovative and entrepreneurial financial bonds of RMB5 billion to help speed up technological innovation in the province; fully supported post-disaster reconstruction by launching "flood prevention loan" and "anti-coronavirus loan", issuing RMB3 billion of post-disaster reconstruction loans funded by the People's Bank of China, and temporarily deferring the payment of principal and interest for disaster-stricken companies; supported major decisions and arrangements of the province and city, supported the ecological protection of the Yellow River Basin and the construction of the Grand Canal with over RMB1.5 billion of loans, and issued the first "carbon emission quota pledge" loan in Henan Province among city commercial banks.

We endeavored to open a new chapter of high-quality development. The Bank innovatively put forward the "Five & Four strategy" integrating "Four New Types of Finance" for retail banking and "Five Clouds" for corporate banking. In terms of technological innovation finance, the Bank took the lead in introducing "technology talent loan", "share warrant loan" and "high-tech enterprise e-loan", and participated in the 2021 National Innovation and Entrepreneurship Week as the only bank representative; "Zheng Tech Loan" had the largest market share in Zhengzhou; reached all enterprises in Zhongyuan Science and Technology City and granted them over RMB1 billion of credit facilities. In terms of small and micro enterprise finance, the Bank fully supported key enterprises under the "10,000 people helping 10,000 enterprises" initiative and key projects under the "Three in one Batch" program of Henan Province, covering all key small and micro enterprise parks in Zhengzhou. In terms of rural finance, the Bank stepped up efforts to build rural service sites, endeavoured to bring in rural customers, and issued 19,100 "Rural Revitalization Cards". In terms of citizen finance, the Bank endeavoured to build a "citizen finance ecosystem" with a "10,000-store alliance", entered into a cooperation agreement on social security card issuance with the Department of Human Resources and Social Security of Henan Province and the Department of Human Resources and Social Security of Zhengzhou, established 60 social security-banking integrated service outlets and issued a total of more than 110,000 social security cards in 12 prefecture-level cities. In terms of the construction of "Five Clouds", the Bank established Five Clouds Operation Center, launched the upgrade of the clouds to version 2.0, set up a list of customers for commerce and logistics finance, and screened out key targeted customers in five major industries, making new progress in the "Five Clouds".

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.3 Analysis of Core Competitiveness

Leveraging regional advantages to build a “commerce and logistics bank”. Against the backdrop of promoting domestic and international dual circulation, the Bank leverages Zhengzhou’s geographical advantages as an important national transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to build a financial, transactional and service-oriented commerce and logistics banking platform under the guideline of building a commerce and logistics bank. Based on its transaction banking business, the Bank integrates the commerce flow, information flow, cash flow and logistics, strives to optimize the “Five Clouds” online service platforms and integrate system functions, and explores the distinctive development of commerce and logistics finance.

Practicing social responsibility and becoming an “SME financial service expert”. By enhancing the small and micro finance model, the Bank reverts to the nature of small and micro credit business. With building popular products as the core purpose, the Bank aims to make its operations more digital, online and intelligent and continuously innovates small and micro products focusing on five major customer groups: real estate customers, data scenario customers, technological innovation customers, supply chain customers, and long-tail customers. By establishing a cultural system for small and micro credit risks, the Bank builds an intelligent risk control system backed by big data platforms to manage and control risks throughout the entire process. The Bank prudently implements credit-loan joint operations, and attempts to establish cooperation with Internet technology giants to jointly develop products, control risk, and operate business through differentiated cooperation, so as to achieve data and channel sharing, increase marginal customer reach rate, and jointly build a new inclusive finance ecosystem. The Bank concentrates advantageous resources, appoints designated sub-branches, and establishes specific product plans for scientific innovation finance, so as to provide full-cycle financial services for scientific innovation SMEs. The Bank enhances the integrated financial services that combine “financing + financial intelligence” and fully supports the construction of Zhongyuan Science and Technology City. The Bank joins hands with small and micro enterprise parks and the enterprises therein to implement the “Partnership Project Plan” and provide them with a full range of integrated financial service solution.

Developing inclusive finance to build a “boutique bank for residents”. As a local financial institution in Zhengzhou, the Bank adheres to the principle of “honoring the responsibility to defend the hometown” and focuses on citizens’ basic necessities of life to pursue the digital transformation featuring “scenario-based products and accelerated online and intelligent services”. The Bank acquires customers through points activities, activates them with nodal activities, boosts conversion rate by upgrading benefits and creates social benefits by charitable activities to meet the financial and service needs of customers in every aspect, so as to continuously enhance service efficiency and customer experience, and establish itself as a “boutique bank for residents” well trusted by the public. The Bank extends financial services to rural villages and towns by innovating service modes and building a comprehensive management platform for rural businesses. By doing so, the Bank builds a comprehensive, multi-level, multi-dimensional service network for urban and township residents to solve the “last mile” problem of financial services.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Managing compliance risks carefully to ensure sound operations. The Bank has set the base line of “compliance-based development”, created a good atmosphere for “compliance-based operations and sound development”, and continuously improved compliance management and internal control. In particular, the Bank regularly reviews relevant measures and compliance issues, and inspects all aspects of operational and managerial activities from the beginning to end, thus consolidating the foundation for compliance and internal control; promotes swindle prevention and control and employee behavior management, and implements swindle prevention responsibilities at all levels to develop an inclination for proactive compliance; strengthens employees’ compliance awareness and compliance skills education to build the cornerstone of compliance-based development and promote the healthy development of various business lines; adheres to the goal of “zero risk event”, continuously strengthens the construction of the three lines of defense, increases accountability for violations, and eliminates hidden risks in a timely manner.

Developing innovative thinking to accelerate innovation output. The Bank values financial innovation, raises crisis awareness, and actively creates an institutional atmosphere suitable for innovation. To this end, the Bank has the chief information officer serving as the director of innovative business, optimizes the innovation system by overhauling the overall innovation process, and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion of all departments and employees and promote the implementation of high-quality innovation ideas and projects. Moreover, the Bank strengthens the integration of technology and business to accelerate innovation output, and builds a two-wheeled innovation model driven by “agile innovation & steady innovation”; intensifies external cooperation, and leverages fintech including big data and artificial intelligence to improve its capabilities in risk control and comprehensive financial services, with a view to integrating innovations into all aspects of the Bank’s development strategies, business processes, products and services.

Establishing an awareness of talent nurturing and emphasizing personnel training. The Bank carries out the “Falcon Plan” to recruit and attract high-caliber talent from the fields of investment banking, risk management, credit review and human resources. The Bank carries out the management trainee plan to recruit graduates from key universities. The Bank also builds a “talent database” to improve the personnel structure, upgrades online learning platforms and carries out capability enhancement training for employees of all levels to improve the capacity building of talent echelons, so as to lay a solid human resource foundation for future high-quality development.

Creating a corporate culture and adhering to the corporate vision. Facing new situations and goals, the Bank upholds the core values of “fearfulness, professionalism, inquisitiveness, altruism and responsibility”, the principle of “providing people-oriented, customer-centered and heart-warming financial services”, and the mission of “providing heart-warming financial services for better life”. These values are deeply embedded in the daily behavior of employees and all aspects of customer service, business operation and compliance management. The Bank keeps improving customer experience and motivating its employees and strives to be a bank that cares about its customers. The Bank’s corporate culture represents the common ideal and pursuit, and serves as the spiritual and action guidance, of its members. Guided by this culture, the Bank endeavors to realize the corporate vision of building a “leading bank with high-quality development” and aims to become a “century-old bank”.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

2.4 Major Awards

In January 2021, the Bank was awarded “Advanced Unit of the Year for Promoting the Listing of Enterprises and Supporting Local Economic Development as a Banking Financial Institution” by the People’s Government of Zhengzhou;

In February 2021, the Bank was awarded “Advanced Unit for Preventing and Dealing with Illegal Fundraising and Preventing and Mitigating Financial Risks” by the People’s Government of Zhengzhou;

In March 2021, China Banking Association released the 2020 Top 100 List of China Banking Industry and the Bank ranked 48th;

In April 2021, the Bank was awarded “2020 Advanced Enterprise for Economic Contribution Award” by Zhengdong New District Administrative Committee of Zhengzhou;

In April 2021, the Bank was awarded “2020 Advanced Unit for Discipline Inspection and Supervision in Zhengzhou” by Zhengzhou Commission for Discipline Inspection of the Communist Party of China;

In May 2021, in the competition of “Outstanding Transformation and Innovation Enterprise in Zhengzhou” and “Outstanding Entrepreneur in Zhengzhou” organized by Zhengzhou Enterprise Confederation, Zhengzhou Entrepreneurs Association and Zhengzhou Federation of Industrial Economy, the Bank won the title of “Outstanding Transformation and Innovation Enterprise in Zhengzhou”, being the only financial institution among the awardees;

In June 2021, the Bank was awarded “AAA-Rated Enterprise in China” by China Cooperative Trade Enterprises Association;

In September 2021, China Enterprise Confederation and China Enterprise Directors Association released the list of Top 500 Enterprises in Chinese Service Industry in 2021 and the Bank ranked 222nd;

In December 2021, the Bank was awarded “Enterprise of the Year for Social Responsibility Contribution” at the 4th Pioneer Forum on CSR in China and 2021 Award Ceremony titled “Create a Green Economy with Insight into the Future” hosted by *International Financial News* under *People’s Daily*;

In December 2021, the Bank was awarded “2021 Star of Green Development” in the 16th competition of competitiveness and credibility of listed companies in China hosted by *Chinese Securities Journal*.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3 FINANCIAL STATEMENT ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank proactively coped with the complex, severe economic and financial situation, developed strengths and made up for weaknesses, found a way out of the dilemma in development, solidly promoted high-quality development and maintained a healthy development momentum. During the Reporting Period, the Bank recorded operating income of RMB14,811 million, representing a year-on-year increase of 1.59%; net profit of RMB3,398 million, representing a year-on-year increase of 2.32%; and net profit attributable to Shareholders of the Bank of RMB3,226 million, representing a year-on-year increase of 1.85%. Major items of and changes in the Bank's income statement are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Net interest income	11,948,871	11,239,162	709,709	6.31
Non-interest income	2,862,034	3,340,507	(478,473)	(14.32)
Operating income	14,810,905	14,579,669	231,236	1.59
Less: Operating expenses	3,566,573	3,417,780	148,793	4.35
Less: Impairment losses on assets	7,263,030	7,184,457	78,573	1.09
Operating profit	3,981,302	3,977,432	3,870	0.10
Share of profits of associates	6,836	35,035	(28,199)	(80.49)
Profit before taxation	3,988,138	4,012,467	(24,329)	(0.61)
Less: Income tax expense	590,182	691,596	(101,414)	(14.66)
Net profit	3,397,956	3,320,871	77,085	2.32
Including: Shareholders of the Bank	3,226,192	3,167,567	58,625	1.85
Non-controlling interests	171,764	153,304	18,460	12.04

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB11,949 million, representing a year-on-year increase of RMB710 million or 6.31% and accounting for 80.68% of the operating income. Specifically, business scale adjustments resulted in an increase of RMB2,290 million in net interest income and changes in yield or cost rate resulted in a decrease of RMB1,580 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses from these assets, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	2021			2020		
	Average balance ⁽⁶⁾	Interest income/expense	Average yield/interest rate (%)	Average balance ⁽⁶⁾	Interest income/expense	Average yield/interest rate (%)
For the year ended 31 December						
Interest-earning assets						
Loans and advances to customers	265,701,378	14,521,637	5.47	217,308,902	12,335,208	5.68
Investment securities and other financial assets ⁽¹⁾	183,660,685	8,453,447	4.60	195,351,678	9,634,456	4.93
Deposits with central bank	24,735,330	353,887	1.43	25,873,517	393,146	1.52
Amounts due from banks and other financial institutions ⁽²⁾	15,322,073	182,347	1.19	12,707,428	224,862	1.77
Lease receivables	27,883,484	2,053,764	7.37	17,966,437	1,305,471	7.27
Total interest-earning assets	517,302,950	25,565,082	4.94	469,207,962	23,893,143	5.09
Interest-bearing liabilities						
Deposits from customers	311,894,897	7,754,470	2.49	304,709,927	7,659,143	2.51
Amounts due to banks and other financial institutions ⁽³⁾	77,232,650	2,429,113	3.15	63,289,022	1,655,175	2.62
Debt securities issued	90,123,696	2,743,371	3.04	95,586,704	2,841,648	2.97
Due to central bank	25,161,516	689,257	2.74	16,815,448	498,015	2.96
Total interest-bearing liabilities	504,412,759	13,616,211	2.70	480,401,101	12,653,981	2.63
Net interest income		11,948,871			11,239,162	
Net interest spread ⁽⁴⁾			2.24			2.46
Net interest margin ⁽⁵⁾			2.31			2.40

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Consisting of financial investments at amortized cost and bonds at fair value through other comprehensive income.
2. Consisting of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
3. Consisting of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
4. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
5. Calculated by dividing net interest income by the average balance of total interest-earning assets based on the average daily interest-earning assets.
6. Calculated as the average daily balance of the Bank.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in rate are measured by changes in the average rate of the interest-earning assets and interest-bearing liabilities. Combined effects of changes in volume and rate were included in changes in interest.

Unit: RMB'000

Item	For the year ended 31 December		
	2021 vs. 2020		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,746,925	(560,496)	2,186,429
Investments securities and other financial assets	(576,582)	(604,427)	(1,181,009)
Deposits with central bank	(17,295)	(21,964)	(39,259)
Amounts due from banks and other financial institutions	46,267	(88,782)	(42,515)
Lease receivables	720,589	27,704	748,293
Changes in interest income	2,919,904	(1,247,965)	1,671,939
Interest-bearing liabilities			
Deposits from customers	180,600	(85,273)	95,327
Amounts due to banks and other financial institutions	364,663	409,275	773,938
Debt securities issued	(162,407)	64,130	(98,277)
Due to central bank	247,181	(55,939)	191,242
Change in interest expenses	630,037	332,193	962,230

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents interest income/(expenses) for the Reporting Period minus interest income/(expenses) for the previous period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.24%, representing a decrease of 0.22 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.31%, representing a decrease of 0.09 percentage point as compared to the same period of the previous year. The main reasons for the decrease in net interest spread and net interest margin are (1) the Bank proactively responded to state policies to support the real economy through multiple measures, thus resulting in a year-on-year decrease in average yield of interest-earning assets; and (2) interest-bearing liabilities recorded a year-on-year increase in average cost rate due to volatilities in market capital costs.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB25,565 million, representing a year-on-year increase of RMB1,672 million or 7.00%, mainly due to the growth in the scale of interest-earning assets.

Interest income from loans

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers increased by RMB48,392 million as compared to the same period of the previous year. Interest income from loans amounted to RMB14,522 million, representing an increase of RMB2,186 million or 17.73% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers for the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			2020		
	Average balance	2021 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	179,615,925	10,429,441	5.81	139,162,951	8,339,607	5.99
Personal loans	72,416,464	3,698,192	5.11	65,684,795	3,643,366	5.55
Discounted bills	13,668,989	394,004	2.88	12,461,156	352,235	2.83
Gross loans and advances to customers	265,701,378	14,521,637	5.47	217,308,902	12,335,208	5.68

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from investment securities and other financial assets

During the Reporting Period, interest income from investment securities and other financial assets of the Bank amounted to RMB8,453 million, representing a year-on-year decrease of RMB1,181 million or 12.26%, which was principally attributable to the drop in the average yield of investment securities and other financial assets.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions amounted to RMB182 million, representing a decrease of RMB43 million or 18.91% as compared to the same period of the previous year, which was primarily attributable to the decrease in the average yield of such assets.

Interest income from lease receivables

During the Reporting Period, the Bank's interest income from lease receivables increased by RMB748 million or 57.32% to RMB2,054 million as compared to the same period of the previous year, which was primarily attributable to the increase in the size and average yield of lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expenses

During the Reporting Period, the Bank's interest expense increased by RMB962 million or 7.60% to RMB13,616 million as compared to the same period of the previous year, which was affected by comprehensive factors including the increase in the scale of interest-bearing liabilities and the average cost rate of liabilities.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest expenses on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB7,754 million, representing a year-on-year increase of RMB95 million or 1.24%, and accounted for 56.95% of all interest expenses. The increase was mainly due to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. The decrease in the average cost rate of deposits from customers was mainly due to fluctuations in market interest rates and the Bank's enhancement of its liability structure and improvement in cost management.

Unit: RMB'000

Item	2021			2020		
	Average balance	Interest expenses	Average cost rate (%)	Average balance	Interest expenses	Average cost rate (%)
For the year ended 31 December						
Corporate deposits						
Demand	73,246,326	493,342	0.67	74,066,754	439,606	0.59
Time	97,038,226	3,331,315	3.43	98,303,074	3,427,395	3.49
Subtotal	170,284,552	3,824,657	2.25	172,369,828	3,867,001	2.24
Personal deposits						
Demand	25,743,650	237,625	0.92	23,754,413	215,047	0.91
Time	83,767,501	3,199,835	3.82	79,418,674	3,163,011	3.98
Subtotal	109,511,151	3,437,460	3.14	103,173,087	3,378,058	3.27
Others	32,099,194	492,353	1.53	29,167,012	414,084	1.42
Total deposits from customers	311,894,897	7,754,470	2.49	304,709,927	7,659,143	2.51

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB2,429 million, representing a year-on-year increase of RMB774 million or 46.76%, which was primarily attributable to the increase in scale and average cost rate of amounts due to banks and other financial institutions during the Reporting Period.

Interest expenses on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB2,743 million, representing a decrease of RMB98 million as compared to the previous year, which was primarily attributable to the decrease in scale of interbank deposits issued by the Bank during the Reporting Period.

Interest expense arising from amounts due to central bank

During the Reporting Period, interest expense arising from amounts due to central bank amounted to RMB689 million, representing an increase of RMB191 million or 38.40% as compared to the previous year, which was primarily attributable to the increase in medium-term lending facilities and special refinancing during the Reporting Period as compared to the same period of the previous year.

3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB2,862 million, representing a decrease of RMB478 million or 14.32% as compared to the same period of the previous year and accounted for 19.32% of the operating income. Such income includes net fee and commission income of RMB1,242 million, representing a decrease of RMB488 million as compared to the previous year. The Bank recorded other non-interest income of RMB1,620 million, representing an increase of RMB10 million as compared to the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Net fee and commission income

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	894,586	1,308,885	(414,299)	(31.65)
Underwriting and advisory fees	234,955	281,875	(46,920)	(16.65)
Acceptance and guarantee services fees	127,846	186,762	(58,916)	(31.55)
Bank card services fees	115,465	125,393	(9,928)	(7.92)
Others	35,927	33,686	2,241	6.65
Subtotal	1,408,779	1,936,601	(527,822)	(27.26)
Fee and commission expense	(167,195)	(206,615)	39,420	(19.08)
Net fee and commission income	1,241,584	1,729,986	(488,402)	(28.23)

During the Reporting Period, the Bank proactively adapted to the new regulations on asset management and market changes, and made steady progress in the transformation and upgrade of its intermediary business. The net fee and commission income amounted to RMB1,242 million, representing a decrease of RMB488 million or 28.23% as compared to the same period of the previous year, which was primarily attributable to the combined effects of the Bank's proactive response to the regulatory policy on fees and charges reduction as well as a decrease in the scale of the agency and custody business during the Reporting Period.

Other non-interest income

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Net trading gains	687,874	368,339	319,535	86.75
Net gains arising from investment	870,283	1,187,922	(317,639)	(26.74)
Other operating income	62,293	54,260	8,033	14.80
Total	1,620,450	1,610,521	9,929	0.62

During the Reporting Period, other non-interest income amounted to RMB1,620 million, representing an increase of RMB10 million or 0.62% as compared to the same period of the previous year, which was primarily due to the change in gains arising from financial investments at fair value through profit or loss.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.5 Operating Expenses

During the Reporting Period, the operating expenses of the Bank were RMB3,567 million, representing an increase of RMB149 million or 4.35% as compared to the same period of the previous year, which was mainly due to the adjustment of the state's policies on tax and fee reduction for the prevention and control of the pandemic.

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Staff costs	2,106,357	2,024,774	81,583	4.03
Depreciation and amortization	454,021	439,534	14,487	3.30
Rental and property management expenses	110,183	99,112	11,071	11.17
Office expenses	62,056	55,269	6,787	12.28
Tax and surcharges	151,258	133,092	18,166	13.65
Others	682,698	665,999	16,699	2.51
Total operating expenses	3,566,573	3,417,780	148,793	4.35

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Salaries, bonuses and allowances	1,444,005	1,551,670	(107,665)	(6.94)
Social insurance and annuity	312,774	151,339	161,435	106.67
Supplementary retirement benefits	31,516	4,837	26,679	551.56
Staff welfare	144,918	156,829	(11,911)	(7.59)
Housing allowances	119,093	104,654	14,439	13.80
Others	54,051	55,445	(1,394)	(2.51)
Total	2,106,357	2,024,774	81,583	4.03

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Impairment Losses on Assets

During the Reporting Period, the Bank's credit impairment losses increased by RMB79 million or 1.09% to RMB7,263 million as compared with the previous year. This is mainly due to the fact that the Bank enhanced efforts to write off non-performing assets to gradually improve asset quality in line with changes in market operating conditions and asset structure.

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Impairment losses on loans and advances to customers	3,718,286	5,487,062	(1,768,776)	(32.24)
Impairment losses on financial investments at amortized cost	3,067,114	1,317,666	1,749,448	132.77
Impairment losses on lease receivables	352,086	286,652	65,434	22.83
Impairment losses on off-balance sheet credit commitments	(2,570)	(76,453)	73,883	(96.64)
Impairment losses on financial investments at fair value through other comprehensive income	(94,227)	169,198	(263,425)	(155.69)
Others ^(Note)	222,341	332	222,009	66,870.18
Total impairment losses on assets	7,263,030	7,184,457	78,573	1.09

Note: Others consist of impairment losses on items such as deposits with banks and other financial institutions, financial assets held under resale agreements, placements with banks and other financial institutions and interest receivables.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expense

During the Reporting Period, the Bank's income tax expense amounted to RMB590 million, representing a decrease of RMB101 million or 14.66% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 14.80%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
Current tax	842,308	1,276,375	(434,067)	(34.01)
Deferred tax	(356,242)	(634,354)	278,112	(43.84)
Adjustment for prior years	104,116	49,575	54,541	110.02
Total income tax expense	590,182	691,596	(101,414)	(14.66)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB574,980 million, representing an increase of RMB27,166 million or 4.96% from the end of the previous year, which was mainly due to the increase in loans and advances to customers, financial assets held under resale agreements, and lease receivables. The balances (after provision) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Assets						
Cash and deposits with central bank	33,433,058	5.81	36,492,083	6.66	(3,059,025)	(0.85)
Deposits with banks and other financial institutions	2,919,058	0.51	2,357,591	0.43	561,467	0.08
Placements with banks and other financial institutions	4,182,213	0.73	3,083,574	0.56	1,098,639	0.17
Derivative financial assets	173,981	0.03	362,970	0.07	(188,989)	(0.04)
Financial assets held under resale agreements	14,228,603	2.47	8,585,647	1.57	5,642,956	0.90
Loans and advances to customers	282,399,091	49.11	231,250,013	42.21	51,149,078	6.90
Lease receivables	28,224,856	4.91	22,565,825	4.12	5,659,031	0.79
Financial investments						
– Financial investments at fair value through profit or loss	41,109,728	7.15	46,463,308	8.48	(5,353,580)	(1.33)
– Financial investments at fair value through other comprehensive income	17,311,509	3.01	21,983,430	4.01	(4,671,921)	(1.00)
– Financial investments at amortized cost	139,328,387	24.23	164,230,569	29.98	(24,902,182)	(5.75)
Investments in associates	407,086	0.07	400,250	0.07	6,836	–
Property and equipment	2,874,435	0.50	2,686,802	0.49	187,633	0.01
Deferred tax assets	3,900,289	0.68	3,718,962	0.68	181,327	–
Other assets	4,487,368	0.79	3,632,420	0.67	854,948	0.12
Total assets	574,979,662	100.00	547,813,444	100.00	27,166,218	–

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB289,028 million, representing an increase of RMB51,068 million or 21.46% as compared with the end of the previous year. The Bank's loans and advances to customers are mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	199,784,576	69.13	156,954,032	65.96
Personal loans	76,138,099	26.34	67,328,937	28.29
Discounted bills	13,104,993	4.53	13,676,221	5.75
Gross loans and advances to customers	289,027,668	100.00	237,959,190	100.00
Add: Accrued interest	1,439,787		1,046,446	
Less: Provision for impairment losses ⁽²⁾	8,068,364		7,755,623	
Book value of loans and advances to customers	282,399,091		231,250,013	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, provision for impairment losses on forfeiting and discounted bills was included in other comprehensive income.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB199,785 million, accounted for 69.13% of the Bank's total loans and advances to customers and representing an increase of RMB42,831 million or 27.29% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

The following table sets forth a breakdown of the Bank's corporate loans by collateral:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	41,672,338	20.86	25,996,452	16.56
Guaranteed loans	106,221,079	53.17	78,812,696	50.21
Loans secured by tangible assets other than monetary assets	35,270,336	17.65	33,346,976	21.25
Loans secured by intangible assets or monetary assets	16,620,823	8.32	18,797,908	11.98
Total corporate loan principal	199,784,576	100.00	156,954,032	100.00

(2) Personal loans

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB76,138 million, accounting for 26.34% of the Bank's total loans and advances to customers and representing an increase of RMB8,809 million or 13.08% from the end of the previous year, of which, total personal business loans and total personal residential mortgage loans were RMB27,977 million and RMB40,842 million, respectively, representing an increase of 9.11% and 13.56% respectively from the end of the previous year, which was mainly due to the growth in the business scale of personal business loans and personal residential mortgage loans.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	27,976,927	36.74	25,639,981	38.08
Personal residential mortgage loans	40,841,865	53.64	35,964,974	53.42
Personal consumption loans	4,222,797	5.55	2,769,512	4.11
Credit card loans	3,096,510	4.07	2,954,470	4.39
Total personal loan principal	76,138,099	100.00	67,328,937	100.00

(3) *Discounted bills*

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB13,105 million, representing a decrease of RMB571 million or 4.18% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB200,436 million, representing a decrease of RMB34,017 million or 14.51% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	142,202,177	70.95	166,298,387	70.93
Financial investments at fair value through other comprehensive income	17,124,485	8.54	21,691,216	9.25
Financial investments at fair value through profit or loss	41,109,728	20.51	46,463,308	19.82
Total investment securities and other financial assets	200,436,390	100.00	234,452,911	100.00
Add: Accrued interest	1,869,619		2,106,004	
Less: Provision for impairment losses ^(Note)	4,556,385		3,881,608	
Book value of investment securities and other financial assets	197,749,624		232,677,307	

Note: Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investments in securities are classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	48,182,772	24.11	40,538,719	17.29
Debt securities issued by policy banks	37,847,707	18.94	39,543,998	16.87
Debt securities issued by banks and other financial institutions	1,887,894	0.94	1,865,371	0.80
Debt securities issued by corporate issuers	4,353,801	2.18	6,356,024	2.71
Subtotal	92,272,174	46.17	88,304,112	37.67
Investment products under trust schemes	50,856,881	25.45	67,275,604	28.70
Investment products managed by securities companies	40,889,533	20.46	55,741,447	23.78
Others ^(Note)	15,850,025	7.92	23,123,348	9.85
Total debt instruments	199,868,613	100.00	234,444,511	100.00
Equity investments	567,777		8,400	
Total investments securities and other financial assets	200,436,390		234,452,911	

Note: Others consist of debt financing schemes.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds in terms of nominal value balance held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 Financial bonds	3,250,000	3.33	2026-02-22	102
2	2016 Financial bonds	2,490,000	3.33	2026-01-06	78
3	2020 Financial bonds	2,440,000	3.09	2030-06-18	77
4	2020 Financial bonds	2,220,000	3.07	2030-03-10	69
5	2016 Financial bonds	2,200,000	3.24	2023-02-25	69
6	2016 Financial bonds	1,900,000	3.32	2023-01-06	60
7	2020 Financial bonds	1,870,000	3.79	2030-10-26	60
8	2021 Financial bonds	1,461,887	2.25	2022-11-01	-
9	2019 Financial bonds	1,360,000	3.45	2029-09-20	44
10	2015 Financial bonds	1,314,233	3.86	2022-02-05	16

Derivative financial instruments

During the Reporting Period, there were two-way fluctuations in the exchange rate between US dollar and RMB, the Bank made reasonable use of forward foreign exchange to effectively mitigate market risks and maintain a sound trading style.

Unit: RMB'000

Derivative financial instruments	As at 31 December 2021			As at 31 December 2020		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Non-deliverable forwards	6,248,186	173,981	-	6,002,908	362,970	-
Total	6,248,186	173,981	-	6,002,908	362,970	-

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB515,568 million, representing an increase of RMB13,727 million or 2.74% from the end of the previous year, which was mainly due to the increase in liabilities including deposits from customers and deposits from banks and other financial institutions.

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Due to central bank	22,785,695	4.42	25,966,645	5.17	(3,180,950)	(0.75)
Deposits from banks and other financial institutions	37,666,420	7.31	20,210,404	4.03	17,456,016	3.28
Placements from banks and other financial institutions	27,636,976	5.36	20,467,593	4.08	7,169,383	1.28
Financial assets sold under repurchase agreements	12,371,414	2.40	21,303,430	4.25	(8,932,016)	(1.85)
Deposits from customers	321,574,215	62.37	316,512,735	63.07	5,061,480	(0.70)
Tax payable	359,712	0.07	653,304	0.13	(293,592)	(0.06)
Debt securities issued	90,076,717	17.47	93,164,057	18.56	(3,087,340)	(1.09)
Other liabilities ^(Note)	3,096,973	0.60	3,563,355	0.71	(466,382)	(0.11)
Total	515,568,122	100.00	501,841,523	100.00	13,726,599	-

Note: Other liabilities primarily consist of items in the process of clearance and settlement, staff costs payable and estimated liabilities.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB318,813 million, representing an increase of RMB4,583 million or 1.46% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	88,226,614	27.67	73,645,804	23.44
Time	75,143,583	23.57	102,023,433	32.47
Subtotal	163,370,197	51.24	175,669,237	55.91
Personal deposits				
Demand	36,268,084	11.38	30,426,964	9.68
Time	85,412,343	26.79	77,347,598	24.61
Subtotal	121,680,427	38.17	107,774,562	34.29
Other deposits	33,762,827	10.59	30,786,621	9.80
Gross deposits from customers	318,813,451	100.00	314,230,420	100.00
Add: Accrued interest	2,760,764		2,282,315	
Total deposits from customers	321,574,215		316,512,735	

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity reached RMB59,412 million, representing an increase of RMB13,440 million or 29.23% from the end of the previous year. The total equity attributable to Shareholders of the Bank reached RMB57,766 million, representing an increase of RMB13,271 million or 29.83% from the end of the previous year. The increase in Shareholders' equity was mainly due to the completion of issuance of indefinite-term capital bonds by the Bank and continuous profit during the Reporting Period. In November 2021, the Bank issued the indefinite-term capital bonds amounting to RMB10.0 billion in the national inter-bank bond market. After deducting issuance expenses, the net proceeds amounted to RMB9,999 million. For details, please refer to the announcement dated 17 November 2021 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	8,265,538	13.91	7,514,125	16.35
Capital reserve	7,452,490	12.54	8,203,903	17.85
Surplus reserve	3,281,678	5.52	2,976,573	6.47
General risk reserve	7,481,353	12.59	7,078,451	15.40
Fair value reserve	(173,457)	(0.29)	(698,206)	(1.52)
Remeasurement of net defined benefit liability	(69,255)	(0.12)	(60,953)	(0.13)
Retained earnings	13,703,472	23.07	11,655,496	25.35
Other equity instruments	17,824,363	30.00	7,825,508	17.02
Total equity attributable to Shareholders of the Bank	57,766,182	97.22	44,494,897	96.79
Non-controlling interests	1,645,358	2.78	1,477,024	3.21
Total Shareholders' equity	59,411,540	100.00	45,971,921	100.00

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 31 December 2021	As at 31 December 2020
Credit commitments		
Bank acceptances	79,719,508	118,049,727
Letters of credit	13,759,386	9,814,187
Guarantees	2,620,966	2,217,397
Unused credit card commitments	4,749,329	3,890,102
Total	100,849,189	133,971,413

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any of its subsidiaries is a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit commitments" of Commitments and contingent liabilities in Note 42 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

3.2.5 Asset Right Restriction as at the End of the Reporting Period

Details of pledged assets of the Bank are disclosed in "Pledged Assets" of Commitments and contingent liabilities in Note 42 of the chapter headed "Independent Auditor's Report" of this Report.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing assets, keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of NPL amounted to RMB5,345 million, and the NPL ratio was 1.85%, down by 0.23 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Normal	277,294,011	95.94	228,182,443	95.89
Special mention	6,388,575	2.21	4,832,965	2.03
Substandard	4,593,529	1.59	3,318,730	1.40
Doubtful	711,808	0.25	1,591,666	0.67
Loss	39,745	0.01	33,386	0.01
Total loans and advances to customers	289,027,668	100.00	237,959,190	100.00
NPLs and NPL ratio^(Note)	5,345,082	1.85	4,943,782	2.08

Note: NPL ratio is calculated by dividing total NPL principal (excluding accrued interest) by total loan and advanced principal to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.2 Classification of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 31 December 2021				As at 31 December 2020			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	60,613,512	20.98	879,837	1.45	47,708,603	20.05	1,579,417	3.31
Medium and long-term loans	139,171,064	48.15	2,831,200	2.03	109,245,429	45.91	1,856,239	1.70
Subtotal	199,784,576	69.13	3,711,037	1.86	156,954,032	65.96	3,435,656	2.19
Discounted bills	13,104,993	4.53	-	-	13,676,221	5.75	-	-
Personal loans								
Personal business loans	27,976,927	9.68	968,167	3.46	25,639,981	10.78	1,033,789	4.03
Personal residential mortgage loans	40,841,865	14.13	391,266	0.96	35,964,974	15.11	185,795	0.52
Personal consumption loans	4,222,797	1.46	210,850	4.99	2,769,512	1.16	226,720	8.19
Credit card loans	3,096,510	1.07	63,762	2.06	2,954,470	1.24	61,822	2.09
Subtotal	76,138,099	26.34	1,634,045	2.15	67,328,937	28.29	1,508,126	2.24
Total	289,027,668	100.00	5,345,082	1.85	237,959,190	100.00	4,943,782	2.08

During the Reporting Period, the Bank adhered to main operation line of high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 1.86%, down by 0.33 percentage point from the end of the previous year; the NPL ratio of personal loans was 2.15%, down by 0.09 percentage point from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Classification of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 31 December 2021				As at 31 December 2020			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	31,741,471	10.96	1,323,147	4.17	30,468,072	12.80	1,121,197	3.68
Manufacturing	14,765,860	5.11	527,151	3.57	14,981,932	6.30	965,069	6.44
Construction	20,018,268	6.93	172,618	0.86	14,887,663	6.26	329,452	2.21
Real estate	34,438,375	11.92	1,193,938	3.47	30,557,324	12.84	381,888	1.25
Leasing and commercial services	33,694,931	11.66	210,026	0.62	17,666,268	7.42	387,064	2.19
Water, environment and public facility management	40,052,714	13.86	4,800	0.01	25,683,307	10.79	-	-
Agriculture, forestry, animal husbandry and fishery	3,253,187	1.13	118,565	3.64	1,926,802	0.81	124,315	6.45
Transportation, storage and postal services	6,664,013	2.31	13,950	0.21	4,982,485	2.09	29,655	0.60
Production and supply of electricity, heat, gas and water	2,048,934	0.71	-	-	2,581,881	1.09	-	-
Accommodation and catering	1,387,905	0.48	119,795	8.63	1,311,417	0.55	41,586	3.17
Mining	2,032,243	0.70	4,000	0.20	807,252	0.34	9,070	1.12
Culture, sports and entertainment	1,576,940	0.55	19,650	1.25	1,660,210	0.70	2,860	0.17
Others	8,109,735	2.81	3,397	0.04	9,439,419	3.97	43,500	0.46
Total corporate loans	199,784,576	69.13	3,711,037	1.86	156,954,032	65.96	3,435,656	2.19
Total personal loans	76,138,099	26.34	1,634,045	2.15	67,328,937	28.29	1,508,126	2.24
Discounted bills	13,104,993	4.53	-	-	13,676,221	5.75	-	-
Total	289,027,668	100.00	5,345,082	1.85	237,959,190	100.00	4,943,782	2.08

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in the wholesale and retail industry, the real estate industry and the manufacturing industry, with NPL ratios of 4.17%, 3.47% and 3.57%, respectively.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Classification of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and NPL by collateral:

Unit: RMB'000

Item	As at 31 December 2021				As at 31 December 2020			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	47,398,226	16.40	273,518	0.58	31,664,029	13.31	133,808	0.42
Guaranteed loans	109,016,175	37.72	1,869,783	1.72	82,094,342	34.49	2,501,079	3.05
Loans secured by tangible assets other than monetary assets	101,095,217	34.98	2,738,972	2.71	89,660,694	37.68	2,163,748	2.41
Loans secured by intangible assets or monetary assets	31,518,050	10.90	462,809	1.47	34,540,125	14.52	145,147	0.42
Total	289,027,668	100.00	5,345,082	1.85	237,959,190	100.00	4,943,782	2.08

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 31 December 2021		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	2,997,265	1.04	4.75
Borrower B	Leasing and commercial services	1,881,900	0.65	2.98
Borrower C	Water, environment and public facility management	1,800,000	0.62	2.85
Borrower D	Real estate	1,762,500	0.61	2.79
Borrower E	Leasing and commercial services	1,760,480	0.61	2.79
Borrower F	Water, environment and public facility management	1,721,633	0.60	2.73
Borrower G	Real estate	1,488,500	0.52	2.36
Borrower H	Agriculture, forestry, animal husbandry and fishery	1,397,830	0.48	2.21
Borrower I	Water, environment and public facility management	1,335,000	0.46	2.11
Borrower J	Leasing and commercial services	1,317,970	0.46	2.09
Total		17,463,078	6.05	27.66

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3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	280,677,370	97.11	230,718,299	96.96
Loans past due for ^(Note)				
3 months (inclusive) or less	3,915,550	1.35	2,489,278	1.04
3 months to 1 year (inclusive)	1,751,400	0.61	1,803,362	0.76
1 year or more	2,683,348	0.93	2,948,251	1.24
Subtotal	8,350,298	2.89	7,240,891	3.04
Gross loans	289,027,668	100.00	237,959,190	100.00

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB8,350 million, representing an increase of RMB1,109 million or 15.32% as compared with the end of the previous year. Overdue loans accounted for 2.89% of the total loans, decreased by 0.15 percentage point as compared with the end of the previous year.

3.3.7 Repossessed assets and provision for impairment

As at the end of the Reporting Period, the Bank had no repossessed assets.

3.3.8 Provision and Write-off of Allowance for Losses on Loans

During the Reporting Period, the Bank made a total reserve for losses on loans of RMB3,718 million, with RMB3,593 million provided for loans and advances to customers measured at amortized cost, and RMB125 million for loans and advances to customers measured at fair value through other comprehensive income. RMB3,670 million of non-performing loans was written off and disposed, and RMB389 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's provision for losses on loans was RMB8,370 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB8,068 million and the balance of the impairment losses on loans and advances to customers measured at fair value through other comprehensive income were RMB301 million.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December	
	2021	2020
Opening balance	7,755,623	7,327,846
Provision for the period	3,593,265	5,407,911
Write-offs and disposals for the period	(3,669,927)	(5,355,940)
Recovery of written-off loans	389,403	375,806
Closing balance	8,068,364	7,755,623

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December	
	2021	2020
Opening balance	176,152	97,001
Provision for the period	125,025	79,151
Closing balance	301,177	176,152

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB42,619 million, where the cash inflow was RMB52,536 million, representing a decrease of RMB20,807 million from the same period of the previous year, mainly due to the decrease in the net increment of deposits from customers; and the cash outflow was RMB95,155 million, representing an increase of RMB10,633 million from the same period of the previous year, mainly due to the increase in loans and advances to customers.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB40,956 million, where the cash inflow was RMB240,364 million, representing a decrease of RMB55,958 million from the same period of the previous year, mainly due to the decrease in cash inflow received from the recovery of investments; the cash outflow was RMB199,409 million, representing a decrease of RMB72,299 million from the same period of the previous year, mainly due to the decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB3,562 million, where the cash inflow was RMB143,121 million, representing an increase of RMB22,541 million from the same period of the previous year, mainly due to the increase in cash inflows received from the issuance of bonds; the cash outflow was RMB139,558 million, representing an increase of RMB7,501 million from the same period of the previous year, mainly due to the increase in cash outflows for the repayment of the principal of the bonds due.

Unit: RMB'000

Item	For the year ended 31 December		
	2021	2020	Year-on-year change
Subtotal of cash inflows from operating activities	52,536,272	73,343,444	(20,807,172)
Subtotal of cash outflows from operating activities	95,155,331	84,522,753	10,632,578
Net cash flows used in operating activities	(42,619,059)	(11,179,309)	(31,439,750)
Subtotal of cash inflows from investing activities	240,364,456	296,322,073	(55,957,617)
Subtotal of cash outflows from investing activities	199,408,830	271,708,226	(72,299,396)
Net cash flows generated from investing activities	40,955,626	24,613,847	16,341,779
Subtotal of cash inflows from financing activities	143,120,969	120,579,727	22,541,242
Subtotal of cash outflows from financing activities	139,558,470	132,057,065	7,501,405
Net cash flows generated from/(used in) financing activities	3,562,499	(11,477,338)	15,039,837
Effect of exchange rate changes on cash and cash equivalents	(86,785)	(123,711)	36,926
Net increase in cash and cash equivalents	1,812,281	1,833,489	(21,208)

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	2021		2020	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	8,500,975	57.40	6,740,760	46.23
Retail banking business	1,601,002	10.81	1,546,570	10.61
Treasury business	4,646,635	31.37	6,238,079	42.79
Others ^(Note)	62,293	0.42	54,260	0.37
Total operating income	14,810,905	100.00	14,579,669	100.00

Note: This segment consists primarily of equity investment and relevant income, and any other businesses that cannot constitute a reporting segment alone.

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous year

During the Reporting Period, the Bank's significant accounting policies, accounting estimates and accounting methods had not been changed.

3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous year

The scope of the consolidated statements for the current period is consistent with that of the financial report for the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance for the Reporting Period	Gains and losses from changes in fair value for the Reporting Period	Accumulated changes in fair value recognized in equity	Impairment accrued during the Reporting Period	Closing balance for the Reporting Period
Financial investments at fair value through profit or loss (excluding derivative financial assets)	46,463,308	73,228	-	-	41,109,728
Derivative financial assets	362,970	(188,989)	-	-	173,981
Financial investments at fair value through other comprehensive income	21,983,430	-	322,469	94,227	17,311,509
Subtotal of financial assets	68,809,708	(115,761)	322,469	94,227	58,595,218

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3.8 Major Statement Items and Financial Indicators with Changes of More Than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the year ended 31 December			Main reason analysis
	2021	2020	Change compared to the same period of the previous year (%)	
Net trading gains	687,874	368,339	86.75	Due to the exchange rate fluctuations of US dollar against RMB during the Reporting Period.
Share of profits of associates	6,836	35,035	(80.49)	Mainly due to the decrease in profits of associates as compared with the previous period.

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Unit: RMB'000

Item	As at 31 December 2021	As at 31 December 2020	Change compared to the end of the previous year (%)	Main reason analysis
Derivative financial assets	173,981	362,970	(52.07)	Due to maturity of certain derivative financial instrument as at the end of the Reporting Period.
Financial assets held under resale agreements	14,228,603	8,585,647	65.73	
Placements with banks and other financial institutions	4,182,213	3,083,574	35.63	
Deposits from banks and other financial institutions	37,666,420	20,210,404	86.37	The Bank adjusted the structure of such assets and liabilities in consideration of asset-liability matching and market liquidity.
Placements from banks and other financial institutions	27,636,976	20,467,593	35.03	
Financial assets sold under repurchase agreements	12,371,414	21,303,430	(41.93)	
Tax payable	359,712	653,304	(44.94)	Enterprise income tax payable decreased as at the end of the Reporting Period.
Other equity instruments	17,824,363	7,825,508	127.77	The Bank issued the indefinite-term capital bonds amounting to RMB10.0 billion in the national inter-bank bond market during the Reporting Period.
Fair value reserve	(173,457)	(698,206)	(75.16)	Mainly due to the change in fair value of financial assets at fair value through other comprehensive income as at the end of the Reporting Period.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

The following table sets out details of the Bank's equity investment as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 31 December 2021	As at 31 December 2020	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	51,000	51,000	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank	208,000	208,000	18.53
Yanling Zhengyin County Bank	34,950	34,950	49.58
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Centre for City Commercial Banks	400	400	1.29
Total	1,459,250	1,459,250	–

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraph headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis" of this Report.

4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

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4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds by the Bank. The Bank did not retain any unused proceeds from past periods for use in the Reporting Period.

4.5 Operations of Subsidiaries

4.5.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in China where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBIRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB30,033 million, net assets of RMB3,081 million, and total financial leasing of RMB28,747 million. During the Reporting Period, it recorded operating income of RMB878 million, operating profit of RMB414 million, and net profit of RMB311 million.

Fugou Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 50.20% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB1,093 million, net assets of RMB75 million, total loans and advances to customers of RMB589 million, and total deposits from customers of RMB852 million. During the Reporting Period, it recorded operating income of RMB37 million, operating profit of RMB13 million, and net profit of RMB10 million.

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Xinmi Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.20% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB1,201 million, net assets of RMB160 million, total loans and advances to customers of RMB714 million, and total deposits from customers of RMB910 million. During the Reporting Period, it recorded operating income of RMB32 million, operating profit of RMB1 million, and net profit of RMB0.35 million.

Xunxian Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB100 million. Xunxian Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB2,227 million, net assets of RMB136 million, total loans and advances to customers of RMB921 million, and total deposits from customers of RMB1,918 million. During the Reporting Period, it recorded operating income of RMB79 million, operating profit of RMB42 million, and net profit of RMB33 million.

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Queshan Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB576 million, net assets of RMB52 million, total loans and advances to customers of RMB305 million, and total deposits from customers of RMB467 million. During the Reporting Period, it recorded operating income of RMB20 million, operating profit of RMB4 million, and net profit of RMB3 million.

4.5.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53%, 49.58% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. Three county banks had total assets of RMB25,151 million, total loans and advances to customers of RMB21,300 million, and total deposits from customers of RMB15,426 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “small and medium-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the banks have stepped up their efforts to support agricultural enterprises and gradually improved their ability to prevent and control risks, of which, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

4.5.3 Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures During the Reporting Period

During the Reporting Period, the Bank had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

4.5.4 Management and Control of Subsidiaries During the Reporting Period

As the principal promoter, the Bank performed its duties in accordance with regulatory requirements, treated its subsidiaries as independent legal persons, and provided them with guidance and assistance in terms of corporate governance, scientific and technological system support, business innovation and cooperation, and talent training using its management experience and resource advantages as the principal promoter. Firstly, the Bank strengthened support. The Bank assisted its subsidiaries in applying technologies in their operations to improve customer experience and stickiness, and in fully implementing the new training mode online and offline to improve the professional quality and ability of employees. Secondly, the Bank strengthened coordination. The Bank cooperated with its subsidiaries to carry out stress tests throughout the Group and to organize technology, product and business exchanges to share experience. Thirdly, the Bank strengthened management. The Bank formulated and implemented annual plans on management improvement, and organized the application, project establishment and timely completion of related topics for its subsidiaries. The Bank participated in or attended important meetings of its subsidiaries to safeguard the interests of the Bank and Shareholders.

During the Reporting Period, the Bank did not have any new subsidiaries as a result of acquisition.

4.6 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 43 to the financial statements of the chapter headed “Independent Auditor’s Report” of this Report.

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5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) satisfying regulatory requirements on an ongoing basis, and making reasonable room for normal operations and development from a capital perspective; (2) ensuring that the capital level is commensurate with major risk exposure and risk management capacity; (3) ensuring that capital planning is in line with the status of operation, risk movement trends, and long-term development strategy; (4) comprehensively using a variety of capital tools to optimize the scale and structure of capital, continuously strengthening the endogenous capacity of capital, and controlling the cost of capital with the support of reasonable financing strategies; (5) implementing Bank-wide capital performance evaluation, enhancing the efficiency of capital use, and fully guaranteeing the level of return on capital through capital allocation, risk pricing and performance evaluation; (6) appropriately implementing counter-cyclical capital management, and mitigating the impact of cyclical fluctuations on sustainable and stable operations through active capital management.

The Bank continuously improves its comprehensive risk management structure and internal capital management procedures, prudently evaluates various risks, and fully identifies, measures, monitors and reports on major risks. In accordance with the relevant requirements of the regulatory authorities and the needs of the Bank for future development strategies, the Bank conducts capital planning regularly to set a capital adequacy ratio target for at least three years. The capital planning is dynamically adjusted in a timely manner in accordance with changes in regulatory requirements, development situations, and other circumstances. When conducting capital planning, the Bank prudently evaluates asset quality, profit growth and capital market volatility, fully considers factors that may have a significant negative impact on capital levels, including contingent risk exposure, severe and prolonged market recession, and other events exceeding risk tolerance, ensure that the target capital level is commensurate with the business development strategy, risk appetite, risk management capability, and external operating environment, balance short-term and long-term capital needs, and consider the long-term sustainability of various sources of capital replenishment.

Based on the requirements of external regulatory authorities and internal risk management, the Bank conducts stress tests on capital adequacy ratio on a regular or irregular basis as an important part of the internal capital adequacy assessment procedures to evaluate the risks exposures of the Bank under stressful conditions, the interaction between risks, the ability of capital to absorb losses and support business continuity, as well as the reasonableness of capital management objectives, capital replenishment arrangements and response measures. The results of the stress test are applied in medium and long-term capital planning. For severe stress scenarios, the Bank formulates contingency capital plans to meet unplanned capital needs, specifying corresponding capital replenishment policies and response measures to ensure stable operations.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on the endogenous growth of capital; strives to realize the balance and coordination between expansion, profitability and capital constraints; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support the development of the real economy.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratio Analysis

The Bank continued to refine its business structure and strengthen its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 issued by the CBIRC and other relevant requirements issued:

Unit: RMB' 000

Item	As at 31 December 2021	As at 31 December 2020
Core tier-one capital		
Share capital	8,265,538	7,514,125
Valid portion of capital reserve	7,452,490	8,203,903
Fair value reserve	(173,457)	(698,206)
Remeasurement of net defined benefit liability	(69,255)	(60,953)
Surplus reserve	3,281,678	2,976,573
General reserve	7,481,353	7,078,451
Retained earnings	13,703,472	11,655,496
Valid portion of minority interests	1,192,294	947,757
Total core tier-one capital	41,134,113	37,617,146
Core tier-one capital deductions	(1,184,947)	(1,074,912)
Net core tier-one capital	39,949,166	36,542,234
Additional tier-one capital		
Additional tier-one capital instruments and related premium	17,824,363	7,825,508
Valid portion of minority interests	157,811	125,176
Net tier-one capital	57,931,340	44,492,918
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,000,000	5,000,000
Surplus provision for loan impairment	2,916,530	2,932,817
Valid portion of minority interests	318,764	253,634
Net tier-two capital	5,235,294	8,186,451
Net capital base	63,166,634	52,679,369
Total risk-weighted assets	421,013,820	409,505,750
Core tier-one capital adequacy ratio (%)	9.49	8.92
Tier-one capital adequacy ratio (%)	13.76	10.87
Capital adequacy ratio (%)	15.00	12.86

Note: For details, please refer to the column headed "Financial Summary" under Investor Relations on the Bank's website.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratio Analysis

Unit: RMB' 000

Item	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Net tier-one capital	59,551,505	50,258,453	49,359,419	46,900,943
Balance of on/off-balance sheet assets after adjustment	683,259,572	681,804,329	706,962,293	689,256,045
Leverage ratio(%)	8.72	7.37	6.98	6.80

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the third quarter of 2021, the end of the first half of 2021 and the end of the first quarter of 2021 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) 《商業銀行槓桿率管理辦法(修訂)》 issued by the CBIRC, which are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under Investors Relation on the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

Facing the shrinking demand, supply shock and weakening expectation in domestic economic development during the Reporting Period, the Bank adhered to the strategy of high-quality development and continued to promote the capital-light transformation of corporate business. Taking into account different scenarios and ecologies and taking advantage of data, the Bank built a one-stop service ecosystem for corporate customers and vigorously developed basic customer base, thus driving the stable growth and optimizing the structure of corporate deposits. As at the end of the Reporting Period, the Bank’s corporate demand deposits was RMB88,227 million, representing an increase of RMB14,581 million or 19.80% from the end of the previous year. Demand deposits accounted for 27.67%, representing an increase of 4.23 percentage points from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.1.2 Corporate Loans

Facing the complex and severe development environment and unexpected risks and challenges in Henan Province during the Reporting Period, the Bank adhered to the purpose of “serving the local economy and SMEs”, provided more support for the real economy, and made use of the monetary policies promulgated by the People’s Bank of China to launch special refinancing for post-disaster reconstruction, financially supporting the rapid resumption of work and production of enterprises in the affected areas. Guided by national strategies, the Bank spared no effort to serve the major projects of ecological protection and high-quality development in the Yellow River Basin, make significant collaboration towards the “10,000 people helping 10,000 enterprises” initiative in the province, assist in developing key projects under the “Three in one Batch” program, and promote the construction of key small and micro enterprise parks. The Bank made active exploration and innovation in green finance and was the first city commercial bank in Henan Province to have successfully issued a pledged loan backed by carbon emission quota. As at the end of the Reporting Period, the total principal of corporate loans (including advances, forfeiting and discounted bills) of the Bank amounted to RMB212,890 million, representing an increase of RMB42,259 million or 24.77% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank further promoted customer base management and construction, established and improved customer base marketing mechanism, and broadened the marketing channels for basic customer base. The Bank implemented hierarchical management and carried out special marketing management for different types of customers. The Bank made full use of big data and added functions to the customer relationship management system, e.g. visualization of marketing process and clue management of newly registered industrial and commercial customers, so as to accurately acquire customers and manage processes. The Bank also strengthened the dynamic management of corporate customers to improve the work efficiency of the marketing team, and optimized and promoted electronic channels and cash management products for corporate customers to improve products, services and customer stickiness.

6.1.4 Institutional Business

During the Reporting Period, the Bank paid attention to develop its customer base and improved the coverage of key accounts, and thus its institutional deposits kept growing. To strengthen business support, the Bank established a financial team for agile operation, combined existing product modules with digital technologies, and built a scenario – and ecology-based platform for key industries. The Bank won the bid for the project of regular deposit of government funds of Henan Province many times in a row. As at the end of the Reporting Period, the Bank had 5,181 institutional customers, and deposit balance of institutions amounted to RMB59,141 million.

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6.2 Retail Banking Business

6.2.1 Personal Deposits

The Bank has always assumed its “duty to safeguard our homeland”, and focused on its strategic vision of becoming a “leading bank with high-quality development”, vigorously enforcing its featured positioning in building a “boutique bank for residents”. With individual customers as its main business focus, the Bank constantly improved service systems to enhance basic customer base; innovated and upgraded products to expand key customer base; strengthened wealth management, increased customer stickiness, and continuously enhanced its deposit structure. As at the end of the Reporting Period, the Bank’s total balance of personal deposits amounted to RMB121,680 million, representing an increase of RMB13,906 million or 12.90% from the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank continued to optimize its products. Housing E-finance (房e融), the Bank’s personal housing mortgage loan product, added such new functions as online contract signing, online mortgage and online notarization. Simple Loan (簡單貸), the Bank’s loan product for individual production and operation, added such new functions as online contract signing and online lending. Personal Business Start-up Loan (個人助業貸), the Bank’s loan product for individual commercial housing, was launched to meet the capital needs of customers for purchasing plants and other production and business premises. E-financing for Tax (E 税融) (personal version), a product for credit loans only with direct access to the tax data of the State Taxation Administration, was launched. Sci-Tech Talent Loan (科技人才貸), a product setting credit limits for talents based on their rating, was launched to provide loans for high-end talents. As at the end of the Reporting Period, the Bank’s personal loans amounted to RMB76,138 million, representing an increase of RMB8,809 million or 13.08% from the end of the previous year.

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6.2.3 Bank Cards

With Shangding Card (商鼎卡) as the basic debit card, the Bank constantly enriches debit card types and improves their functions. During the Reporting Period, the Bank issued Rural Revitalization Themed Card (鄉村振興主題卡), Shangding Cloud Logistics Card (商鼎雲物流卡) and social security card featuring both financial and social security functions, with a steady growth in card issuances. As at the end of the Reporting Period, the Bank had issued a total of 7,153,200 debit cards (including electronic accounts), representing an increase of 561,900 cards from the end of the previous year.

The Bank made continuous efforts in the development of credit card customer base, risk control, digital innovation, and consumption scenario construction. During the Reporting Period, the Bank issued civil service cards for government budgetary units at all levels in Henan Province, Zhengzhou City, districts and counties in Zhengzhou, as well as certain prefecture-level cities. The Bank also issued Luoyang Culture and Tourism Card (洛陽文旅卡), being its first branch-oriented themed card, foreign-currency visa card, and two UnionPay e-cards, i.e. Hi Viewer Card (Hi 視聽卡) and Hi Diner Card (Hi 食尚卡). As at the end of the Reporting Period, the Bank had issued a total of 563,100 Shangding credit cards, with an aggregate spending of RMB99.6 billion. During the Reporting Period, the Bank achieved a revenue of RMB175 million (cumulative revenue: RMB742 million).

6.3 Treasury Business

6.3.1 Money Market Transactions

During the Reporting Period, according to the requirements of business plan indicators, the Bank continuously strengthened its ability to analyze the money market and improved the management of interbank liability business. While ensuring the safety of liquidity, the Bank performed its obligation as a tier-1 trader in the open market and injected funds from the central bank into the market to ensure smooth market functioning. As at the end of the Reporting Period, the balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB21,330 million, accounting for 3.71% of the Bank's total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB77,675 million, accounting for 15.07% of the Bank's total liabilities.

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6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, changes in the domestic and international economic environment and macro policies, strengthened the study and trend analysis on the capital market, bond market, external regulatory policies and the impact of the pandemic on the domestic and international macroeconomic environment, timely adjusted the direction of capital investment and business development strategies, and seized appropriate business opportunities, so as to make steady investment while keeping risks under control. As at the end of the Reporting Period, the Bank's total investment in bonds, trust products, investment products managed by securities companies and other securities financial assets amounted to RMB200,436 million, down by 14.51% from the end of the previous year. Among them, the total investment in bonds was RMB92,272 million, representing an increase of 4.49% from the end of the previous year; and the total investment in trust products and investment products managed by securities companies was RMB91,746 million, representing a decrease of 25.42% from the end of the previous year.

6.3.3 Investment Banking Business

During the Reporting Period, the Bank actively promoted the lead underwriting business of non-financial corporate debt financing instruments and issued debt instruments of RMB14.5 billion in total, leading the list of banks in Henan Province in terms of underwriting amount. The Bank put effort into product innovation, assisted enterprises in issuing debt financing instruments for public housing and equity-funded bills, and developed and issued the first option loan product in Henan Province. The Bank continuously provided low-cost financial support to flood affected areas in Henan Province and assisted enterprises in the affected areas in issuing various debt financing instruments of RMB3.3 billion.

6.3.4 Wealth Management Business

During the Reporting Period, the Bank continued to scale down and exit expected-income wealth management products pursuant to regulatory requirements. As at the end of the Reporting Period, the balance of expected-income products was nil. Meanwhile, the Bank strengthened the design and R&D of new net-worth products, enrich the net-worth financial product line, continuously scaled up short-, medium- and long-term net-worth products, and formed five series of net-worth products in three categories: Zhengyinbao (鄭銀寶), a cash management net-worth product; Dingxin (鼎信) and Xingwen (行穩), net-worth products opened for subscription and redemption on a regular basis; Dingli (鼎利) and Zhiyuan (致遠), closed-end net-worth products. During the Reporting Period, the Bank issued a total of 90 wealth management products, raising RMB68,999 million in total. As at the end of the Reporting Period, the scale of the Bank's existing wealth management products totaled RMB47,973 million, down by 3.92% from the end of the previous year. As at the end of the Reporting Period, the scale of net-worth wealth management products was RMB47,973 million or 100%, of which the existing balance of cash management net-worth products was RMB10,559 million, that of net-worth products opened for subscription and redemption on a regular basis was RMB26,194 million, and that of closed-end net-worth products was RMB11,221 million.

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6.4 Featured Business

6.4.1 Commerce and Logistics Finance

During the Reporting Period, adhering to its featured positioning, the Bank strove to promote the construction and implementation of the “Five Clouds”. Based on the Internet platform and supported by advanced financial technologies, the Bank promoted the integration of “supply chain finance + logistics finance + commerce and trade finance”, pushed the development of commerce and logistics finance to a new stage, and created a platform-based financial ecology, in order to provide customers with featured and comprehensive services integrating payment, settlement and financing services.

Cloud Trading

The “Cloud Trading” platform flexibly combines various products such as cash management, cross-bank treasury management and corporate settlement cards to “tailor” treasury management solutions for customers. During the Reporting Period, the Bank collected and analyzed customer needs by various means, and then rapidly iterated and upgraded products and systems to improve customer experience. The Bank linked up three electronic channels for corporate customers, i.e. PC-side corporate internet banking application, mobile corporate banking application and corporate WeChat financial hall, so that these electronic channels were interconnected. The Bank continuously upgraded the functions of cash management products such as virtual account, inter-bank communication, electronic entrusted loan and centralized payment, so as to enrich the cash management product portfolio. As at the end of the Reporting Period, the Bank’s corporate electronic channels had almost 60,000 customers signed up; its cash management platform had provided treasury management solutions for over 3,000 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had connected with over 100 large and medium-sized group customers; the Bank had issued over 4,800 corporate settlement cards in total with its treasury management products gaining market recognition continuously.

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Cloud Logistics

The “Cloud Logistics” platform is committed to providing comprehensive solutions such as account clearing, payment and settlement, financing support and value-added services for logistics industry chain and scenario customers. The Bank has completed the online account settlement system and financing service system for logistics industry chain finance, and launched the visual bulletin board for cloud logistics. During the Reporting Period, the Bank focused on serving local target customers. According to the pain points and needs of customers, the Bank put forward the “1 + N” point-to-chain development idea and the idea of offering “settlement + financing” comprehensive financial services to develop customer base. The Bank successfully launched the cloud logistics freight payment agency business integrating the flows of cargo, information and capital, and explored to innovate logistics finance based on “platform + data + scenario”. As at the end of the Reporting Period, nearly 1.4 million payments had been made under the D+0 payment agency service with a total amount of RMB1,800 million; an aggregate of 1.08 million entrusted logistics transactions had been completed with a total transaction amount of RMB2 billion.

Cloud Financing

The “Cloud Financing” platform leverages e-signature, big data, the Internet and other innovative financial technologies to extend the credit of key enterprises along industry chains, so as to serve the supply chain ecosystem. The Bank offered online and scenario-based financing services of whole-supply-chain products such as factoring, letter of credit, commercial bill, asset pool and prepayment financing to meet the financing and management needs of specific industries in their industry chains. The Bank also optimized and upgraded its digital system to improve business efficiency and user experience, and developed platform- and scenario-based finance to push the development of commerce and logistics finance to a new stage. During the Reporting Period, the Bank launched its featured “six-in-one letter of credit”, an upgrade from “manual” to “automatic”, and rolled out the Cloud Financing asset pool business. As at the end of the Reporting Period, the “Cloud Financing” platform had raised nearly RMB20 billion.

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Cloud Business

The “Cloud Business” platform leverages advanced financial technology. Based on the transaction information throughout the supply chain, the Bank extends the credit of high-quality enterprises to their upstream customers through the electronic settlement voucher “Ding E Credit” (鼎e信) of the platform to provide key enterprises, suppliers and financial institutions with financing, asset management and related information consulting services, covering a variety of business models such as Ding E Credit factoring financing, Ding E Credit re-factoring financing and cheque transfer, in an effort to accurately bail out small and micro enterprises and serve the real economy as the Bank’s original intention suggests. As at the end of the Reporting Period, the Cloud Business platform had nearly 2,500 registered members, including over 100 key enterprises, and had helped over 1,440 upstream suppliers of the key enterprises to raise over RMB16 billion in total.

Cloud Service

The “Cloud Service” platform provides value-added, scenario-based, tailored financial services for customers by developing different financial products and bespoke solutions for diverse scenarios. During the Reporting Period, the Bank improved the corporate financial service of its WeChat official account “Zhengzhou Bank Trade Finance” (鄭州銀行商貿金融), expanded its business service channels, and provided a series of convenient financial services such as balance enquiry on WeChat, reminder of account activity, receipt enquiry and downloading, electronic reconciliation, electronic invoice downloading, with a view to enhancing customer experience. As we actively connected with the rental platform supervision system of Zhengzhou Housing Administration Bureau (鄭州市房管局), we were one of the first three banks to supervise the housing rental fund in Zhengzhou, and have provided fund supervision services for many housing rental enterprises. Apart from scenario-based financial products such as Easy-To-Pay (易繳費), supervision of migrant workers’ salary payments, home purchase deposit and medical insurance prepayment, the Bank actively explored new business models for scenario-based finance, and added a number of scenario-based financial services such as supervision of pre-sale housing fund and corporate mobile QR code payment.

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6.4.2 Financial Services for Small and Micro Enterprises

During the Reporting Period, the Bank focused on its featured positioning of “finance for small and micro enterprises”, continued to scale up inclusive loans to small and micro enterprises, and constantly improved the financial services offered to small and micro enterprises. Firstly, with its original intention in mind, the Bank enhanced the efforts to providing services to small and micro enterprises. For small and micro enterprises affected by the epidemic and flood, the Bank opened a fast track for loan approval, implemented policies regarding the extension of principal and interest repayment for small and micro enterprises, and increased the special post-disaster refinancing to support post-disaster reconstruction. Secondly, the Bank optimized its products to improve the customer experience of small and micro enterprises. We partnered with WeBank to launch Micro Business Loan (微業貸), an online loan product, upgraded the functions of E-purchase Loan (E 採貸), a loan product for government procurement, and optimized the business process of E-financing for Tax (E 稅融) (corporate version). Thirdly, the Bank leveraged technologies to support business development in all respects. Internally, we studied and analyzed our data to optimize our model. Externally, we connected with judicial big data to improve the ability to control risks. We also purchased OCR tools that can identify and analyze bank statements to facilitate our business. As at the end of the Reporting Period, the balance of the Bank’s outstanding loans to small and micro enterprises (exclusive of discounts) each with a credit facility of not more than RMB10 million (inclusive) amounted to RMB38,948 million, representing an increase of 23.36% from the end of the previous year, which is 0.32 percentage point higher than the growth rate of all loans of the Bank. The number of small and micro enterprises receiving inclusive loans with loan balance stood at 65,431, representing an increase of 252 from the end of the previous year, marking the successful achievement of the regulatory goals of “two increases and two controls”. During the year, the Bank issued in aggregate inclusive loans of RMB28,648 million to small and micro enterprises at an average interest rate of 5.96%.

6.4.3 Financial Services for Residents

The Bank continues to position itself distinctively as a “boutique bank for residents”, improves its product portfolio, enhances customer rights and interests and meets customers’ diverse investment needs. We catered to the needs of residents for capital liquidity by rolling out “Golden Wutong Zhengyinbao”, a low-risk, low-threshold net-worth wealth management product with flexible subscription and redemption, and “Zhengxinbao”, a savings product carrying flexible deposit periods and protected by the deposit insurance system. Following research and development through various means, we launched exclusive wealth management products for agency customers, credit card customers, union card customers, etc. To enrich customers’ experience, we launched Rural Revitalization Themed Card for rural customers, Shangding Cloud Logistics Card for logistics customers, and resident cards, namely upgraded social security cards, as supported by the government. In terms of inclusive finance, we launched consumer credit products Preferential Loan (優先貸) and Zhenghao Loan (鄭好貸), and offered a package of housing mortgage loan services. Relying on the set-up of a digital platform for customers combined with diverse financial and life scenarios, we boosted conversion rate through points and benefiting activities to meet the financial and service needs of customers in every aspect and provide new impetus for the high-quality development of the Bank’s retail business.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

6.5 Distribution Channels

6.5.1 Physical Outlets

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 161 sub-branches and one special entity. Meanwhile, the Bank enhanced the layout of its self-service equipment outlets, established a network of 160 internal and 37 external self-service equipment outlets, forming proper area coverage and providing convenient 24-hour services.

6.5.2 Electronic Banking

Self-service banking

Adhering to the customer-oriented approach, the Bank continued to develop self-service equipment with new functions, actively promoted the transformation of self-service equipment and focused on developing multifunctional non-cash self-service equipment. As at the end of the Reporting Period, the Bank had a total of 1,641 self-service facilities, including 188 automated cash withdrawal machines, 333 automated teller machines, 549 smart counters, 248 online banking terminals, 154 easy payment terminals, and 169 automated queueing terminals. During the Reporting Period, the total number of cash deposit and withdrawal transactions through self-service equipment was 4,738,000, representing a year-on-year decrease of 13.43%, while the amount was RMB15,055 million, representing a year-on-year decrease of 5.74%.

Online banking

The Bank's online banking provides customers with online services with more convenient experiences, more stable systems, more flexible security certifications, and more product features through three major segments including financial products, wealth management products, and life service products. During the Reporting Period, the Bank had 293,800 new online banking users, and 1,372,700 transactions contributing to transaction amount of RMB77,984 million, representing a year-on-year increase of 49.85%. As at the end of the Reporting Period, the accumulative number of personal online banking customers was 2,074,200 (excluding closed accounts). During the Reporting Period, the Bank had over 50,000 contracted corporate online banking customers; the number of transactions was approximately 4.5 million while the transaction amount was over RMB1.25 trillion.

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Mobile banking

The Bank is quick to upgrade its mobile banking to meet the online financial and life service needs of different customer groups. We used advanced technologies to offer non-contact video customer services, so as to keep our business running during the epidemic. We applied biometric authentication to simplify business operation and efficiently verify customers. By enriching interactions and life services, we enhanced customer engagement to create a better life for them. We launched exclusive versions for rural residents and the elderly to serve different customer groups. To ensure the safety of customers' fund, we strengthened the functions of quota management and accurate interception of fraudulent accounts. During the Reporting Period, the Bank had 343,300 new mobile bank customers contributing to 9,812,500 transactions and transaction amount of RMB213,964 million. As at the end of the Reporting Period, the accumulative number of mobile banking accounts was 2,433,700.

Online payment

The Bank's online payment business covers the mainstream payment platforms such as Alipay, Tenpay, Baifubao (百付寶), JD.com online (京東網銀在線) and Yifubao (易付寶), providing diversified payment channels for bank cards and enhancing customers' payment experience. During the Reporting Period, the number and amount of online payment transactions of the Bank amounted to 119,247,400 and RMB39,813 million, representing a year-on-year increase of 29.48% and 18.88% respectively.

Telephone banking

We offer uninterrupted 7x24-hour telephone banking service to customers through the nationwide customer service hotline 95097, including business consultation, transaction inquiry, oral loss reporting, agent payment, loan business consultation, investment and wealth management services, PIN services, credit card services, outbound calls and customer care. The customer service centre continued to enhance user experience and actively expanded the scope of service based on customer needs. During the Reporting Period, the Bank's telephone banking service department handled a total of 2,644,300 cases.

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Online customer service

The Bank's online customer service connects with its official website, mobile banking, online banking and WeChat public account channels, and provides customers with 7x24-hour services including online business Q&A and complaint acceptance through the "AI + Staff" service mode. During the Reporting Period, the Bank focused on developing its mobile banking application, reorganized the online customer service process and launched multiple functions. Our customer service handled a total of 378,200 cases, of which 28,700 cases were handled by our staff and 349,500 by AI.

Video banking

The Bank's video banking connects with its mobile banking, online banking and WeChat applet to provide scenario-based services including review, consultation and guidance. During the Reporting Period, video banking had delivered 27,900 service transactions, including 12,300 review transactions and 15,600 consulting transactions.

WeChat banking

Based on the WeChat eco-system (WeChat official account, applets, WeChat corporate account, etc.), the Bank provides customers with a variety of financial services such as business and brand marketing and promotion, financial transactions for payment and settlement, and life services. During the Reporting Period, the Bank put effort into developing corporate WeChat and independently developed workbench applications covering various business scenarios of the Bank. To improve the ecology of applets, we launched such applets as Zhengzhou Bank Preferential Loan (鄭州銀行優先貸) and Zhenghui Life (鄭惠生活) and built a four-in-one WeChat ecosystem covering WeChat official account, micro banking, applet, and corporate WeChat, in an effort to boost the Bank's digital transformation. As at the end of the Reporting Period, the "Zhengzhou Bank WeChat Bank" official account had 1.72 million users with cards linked.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively adapted to economic changes and regulatory requirements, placed focus on the strategy of high-quality development, upheld prudent and sound development philosophy, further implemented the capital return and risk pricing concept, continuously optimized the comprehensive risk management system, established a sound compliance and risk management culture, continuously provided and improved a diverse range of risk management and control tools, and committed to balancing and effectively promoting risk management and business development together with value creation to assure that the Bank conducts its business operations in an ongoing and stable manner. In its business operations, the Bank is mainly exposed to the risks and has the control initiatives as follows:

7.1 Credit Risk

Credit risk refers to the risk of loss caused by the failure by a debtor or counterparty to perform its contractual obligations or responsibilities. The Bank's credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk. We have built a credit risk management framework covering all credit business processes, and formulated policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. For credit risk management, we mainly adopt the following measures:

Firstly, we emphasized credit policy risk guidance. The Bank set out basic principles for credit granting, plans on limit management for key businesses, and control requirements for regional businesses, and strengthened the access management of new customers by setting the thresholds of financial indicators. Secondly, we kept a close eye on risks in key areas. The Bank formulated a centralized management mechanism for large customers to effectively control the granting of facilities in large amounts and forestall risk exposure of large-value assets business. We strictly followed the regulatory requirements for the real estate industry and non-local businesses, formulated plans for reducing business volume, and performed the responsibilities of all parties. Thirdly, we strengthened the information exchange between loan approval and post-loan inspection. The Bank put forward clear post-loan management requirements in the approval process, and reported the post-loan inspection results and early warning signals of credit risks to the approval process in a timely manner, so as to share information between systems and reduce the risk of information asymmetry. Fourthly, we strengthened efforts to dispose of risk assets. In accordance with the goal and plan of risk assets disposal, the Bank implemented a review policy on risk assets disposal, regularly held meetings to review the work of external law firms, strengthened the management of the collection team, made clear the responsibility to dispose of non-performing assets, and adopted comprehensive measures such as transfer, write-off, restructuring, debt-to-equity swap and debt repayment in kind to speed up the disposal of risk assets.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Period, the Bank's single customer loan concentration was 4.75%, which met the requirement of not more than 10% as stipulated by the CBIRC; single group customer credit concentration was 4.93%, which met the requirement of not more than 15% as stipulated by the CBIRC; the balance of loans to the top ten customers was RMB17,463 million, and the loan concentration of the top ten customers was 27.66%; the balance of credit facilities to a single related party customer was RMB3,330 million, with a credit concentration of 5.02%; and the credit concentration of all related parties was 15.76%, which met the requirement of not more than 50% as stipulated by the CBIRC.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks that the Bank is exposed to are mainly interest rate risk and exchange rate risk. The Bank's market risk management objective is to ensure that potential market losses are controlled at an acceptable level based on risk tolerance while striving to obtain maximum risk-adjusted returns. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. For market risk management, we mainly adopt the following measures:

Firstly, we continued to optimize the market risk management system. The Bank has established a hierarchical market risk management system which covers account book keeping, risk measurement, stress testing and special business risk management, and defines the functions of the Board, senior management and the three lines of defense. Secondly, we strengthened market risk limit management. The Bank enhanced the market risk limit system and developed an annual market risk limit plan, so as to consolidate the foundation for market risk management. Thirdly, we conducted risk monitoring on a daily basis. The Bank set up a market risk monitoring system covering monitoring objects, monitoring scope and monitoring indicators, achieved front – and mid-office information sharing on market dynamics, asset structure and limit implementation, and established an account book for market risk limit management to improve the quality and efficiency of risk monitoring. Fourthly, we improved the digital management of market risks. With the completion of a comprehensive platform for market risk management, financial instrument valuation, stress testing, risk measurement, statement management, transaction monitoring, risk early warning and other functions were put into production and application.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, and external events, mainly including internal and external frauds, employment system and workplace safety incidents, customers, products and business activities incidents, damage of tangible assets, information technology system incidents, execution, delivery and process management incidents. The Bank's operational risk management objective is to effectively manage operational risks by establishing a sound operational risk management framework so as to keep the losses of operational risk to a minimum. For operational risk management, we mainly adopt the following measures:

Firstly, we conducted strict procedural control and deepened the identification and assessment of procedural risks. The Bank used the Risk Control Self-Assessment (RCSA) tool to identify the key operational risk events, types of risk event, risk reasons and risk factors in management procedures and assess the inherent and residual risk exposures and the effectiveness of control measures. Secondly, we strengthened management of employee behavior. The Bank constantly carried out job rotation and exchange for staff in key positions, intensified the punishment of internal accountability, and set out a number of indicators of employee behavior in system detection. Thirdly, we enriched technological approaches for risk prevention and control. The Bank introduced external data, built a big data risk control platform, connected with the Bank's business system, and enhanced the data-based capability to investigate related party relationships. Fourthly, we built three lines of defense to keep risks at bay. The Bank made clear the management responsibilities of branches, sub-branches and business departments as the first line of defense, strengthened the coordination of internal control and compliance, credit management and risk management as the second line of defense, and promoted the closed-loop feedback from the rectification tracking and internal control evaluation of auditing as the third line of defense. Fifthly, we were active to root out obstinate problems. To overcome on a centralized basis the weaknesses in internal control and management and the serious problems that occur repetitively, the Bank strove to make up for the shortcomings in mechanism, process and information system and root out problems and promoted in-depth governance of chaos.

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7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to perform other payment obligations and to meet other capital requirements for normal business operations. The objective of the Bank's liquidity risk management is to ensure sufficient fund positions to satisfy repayment obligations and capital requirements for business settlement. The Bank observes changes in liquidity closely, monitors the surplus and deficiency of funds on a real-time basis, sets the term structure in a rational manner, gradually enhances the allocation of assets and liabilities, achieves a balance in the asset-liability structure and steps up liquidity risk monitoring to assure liquidity is safe and under control. For liquidity risk management, we mainly adopt the following measures:

Firstly, we stepped up daily liquidity management. We closely monitored the changes of macro and monetary policies as well as the source and use of funds, and arranged the financing term structure in a rational manner to ensure that the daily requirement of positions can be met. Secondly, we optimized the allocation of assets and liabilities, and strengthened the balanced management of assets and liabilities plans and liquidity risks. We focused on the structure of assets and liabilities and duration management to maintain a safe and reasonable level of maturity mismatch. Thirdly, we strengthened liquidity risk limits management. We improved the liquidity limits management systems, strengthened the alert on risk limit monitoring and timely adjusted the risk indicators according to the assets and liabilities plans in order to ensure the liquidity limit indicators operate within a safe level. Fourthly, we conducted stress tests and emergency liquidity drills. Stress tests are carried out to analyze potential liquidity risks and the results from the stress tests are applied to the assets and liabilities plans. Meanwhile, we conducted emergency liquidity drills after fully taking into account the results from stress tests to enhance emergency responses, command coordination and emergency handling mechanisms.

As at the end of the Reporting Period, the Bank's liquidity ratio was 63.72%, which met the requirement of not less than 25% as stipulated by the CBIRC; its liquidity coverage rate was 339.61%, which met the requirement of not less than 90% as stipulated by the CBIRC; the net stable funding ratio was 114.84%, which met the requirement of not less than 100% as stipulated by the CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

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7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. Based on its own conditions and the external environment, the Bank develops and constantly improves management measures to identify, measure, monitor, control and report information technology risk, thus effectively controlling information technology risk. During the Reporting Period, the Bank attached great importance to the management of information technology risks. We had in place a closed-loop management mechanism integrating identification, assessment, monitoring, management and reporting of information technology risks, and “three lines of defense”, i.e. Information Technology Department, Risk Management Department and Internal Audit Department, to jointly prevent and control information technology risks. For information technology risk management, we mainly adopted the following measures:

Firstly, we constantly promoted the construction of an information technology risk management system. By revising the Strategies for Information Technology Risk Management, the Measures for Information Technology Risk Management, the Implementation Rules for Information Technology Risk Assessment and the Implementation Rules for Information Technology Risk Monitoring, the Bank improved the workflow of day-to-day management of information technology risks. Secondly, we set up more professional and accurate monitoring indicators. The Bank improved the dynamic indicator system for technology risk monitoring, regularly checked if the thresholds of indicators are reasonable, reinforced monitoring and early warning, and prepared the Information Technology Risk Monitoring Report on a quarterly basis. Thirdly, we deepened the annual assessment on the comprehensive management of information technology risks, and reviewed the problems found in previous risk assessments. As “the second line of defense”, the Risk Management Department optimized the report template, increased risk research and judgment, and made overall arrangements to solve problems. Fourthly, we strengthened business continuity management, comprehensively analyzed business impacts and assessed risk exposures, which provided necessary inputs for daily business continuity management, emergency response and disaster recovery. During the year, we completed the business continuity drill and reported the summary of 2021 business continuity drill.

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7.6 Reputational Risk

Reputational risk refers to the risk of negative comments of stakeholders, the public and the media about the Bank due to its operation and management, employees' behavior or external events which damage the Bank's brand value and adversely affect its normal operation and even market and social stability. The Bank manages reputational risk on a forward-looking, compatible, full-covered and effective basis, and aims to identify, monitor and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to maintain a good corporate image and boost its sustainable development.

During the Reporting Period, the Bank continued to improve its reputational risk management system, developed a reputational risk management team within the Bank, further optimized the reputational risk prevention mechanism covering complaints, reports, mediation and litigation, and prevented other risks from transforming into reputational risks, so as to improve the quality and efficiency of joint prevention and control of reputational risks. We carried out brand publicity, timely responded to public concerns, and enhanced active communication with customers, media and other stakeholders to expand brand influence and maintain a good reputation. We made overall arrangement for the reputation risk management of the Bank and its subsidiaries.

7.7 Anti-Money Laundering Management

In strict compliance with the Anti-Money Laundering Law of the PRC 《中華人民共和國反洗錢法》 and other applicable laws and regulations promulgated by the People's Bank of China and with adherence to the "risk-based" anti-money laundering method, we established a sound anti-money laundering institutional structure, improved the internal control and operating procedures for anti-money laundering, enhanced the business system for anti-money laundering, continued to carry out promotion and training programmes, and effectively performed various anti-money laundering obligations. In carrying out anti-money laundering, we mainly adopt the following measures:

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Firstly, we established a sound governance structure for money laundering risks. We governed the responsibilities of the Board, the Board of Supervisors, senior management members, the anti-money laundering leading group, the member departments, branches and sub-branches, thus establishing a well-defined and efficient anti-money laundering operation mechanism. Secondly, we strengthened the construction of the internal control system for anti-money laundering. We improved the internal control management system for anti-money laundering by having formulated 11 sets of special rules and regulations for anti-money laundering. Thirdly, we enhanced the functions of the anti-money laundering monitoring and reporting system, strengthened risk monitoring and early warning activities, revamped the information analysis, reporting and related supporting module functions of the anti-money laundering monitoring and reporting system, and collected more blacklist information on money laundering and terrorist financing. Fourthly, we stepped up our promotion on anti-money laundering. We continued with both thematic publicity and daily publicity by carrying out diversified publicity campaigns by means of anti-money laundering publicity display boards, distribution of promotional materials, official websites and official WeChat, LED screens and other channels to popularize anti-money laundering and anti-terrorism knowledge so as to raise public awareness and engagement in anti-money laundering activities. Fifthly, we raised employees' awareness and expertise on anti-money laundering. Based on the principle of "different objects, different methods, different levels and different contents", we enhanced employees' overall awareness, knowledge and skills in respect of anti-money laundering through central training programmes, training programmes in the form of meetings and competitions.

8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

9 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

The Bank and its subsidiaries are not recognised as key waste discharge units as disclosed by the environmental protection authorities. During the Reporting Period, no administrative punishment was imposed on the Bank for environmental issues.

9.2 Social Responsibility

For details, please refer to the 2021 Corporate Social Responsibility Report published on the websites of CNINFO and the Hong Kong Stock Exchange on 30 March 2022 by the Bank.

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9.3 Consolidation of Poverty Alleviation Achievements and Rural Revitalization

During the Reporting Period, the Bank actively consolidated the achievements in poverty alleviation and earnestly implemented the policy of rural revitalization. Focused on customer needs and key business directions, the Bank guided branches and sub-branches to actively carry out the marketing of key agriculture-related products and inclusive agriculture-related loan products, both of which grew steadily. We conducted field research on large growers, communicated with insurance companies on site about the feasibility of R&D and promotion of loan products for farmers, and promoted the R&D of Rural Revitalization Loan (鄉村振興貸) issued to new agricultural business entities such as professional large growers, family farms, farmers' professional cooperatives and agriculture-related small and micro enterprises. We actively got in touch with a cooperative, made on-the-spot visits and investigations, and extended a customized loan of RMB302.76 million to it for the purchase of feed and grain. We improved our information sharing mechanism by connecting with Henan Province Financial Service Shared Platform, Henan Province Financing Integrated Credit Service Platform (Xinyurong) and Henan Province Rural Credit Information System, launched credit products and realized the online application of the Bank's small and micro loan products. To supply rural financial services and products, the Bank increased investment in rural financial resources, set up rural financial service channels, and built comprehensive service stations for rural inclusive finance. We developed a "rural revitalization version" of mobile banking application, extended our online and offline financial services to rural areas, and integrated financial and non-financial services in rural areas, so as to meet the needs of rural residents for small-amount withdrawal, transfer and other services and go the "last mile" to provide them with financial services. As at the end of the Reporting Period, the balance of agriculture-related loans of the Bank was RMB73,443 million, representing an increase of RMB17,164 million or 30.50% from the end of the previous year. The balance of agriculture-related loans was RMB5,825 million, representing an increase of RMB1,664 million or 39.99% from the end of the previous year.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

10 OUTLOOK

10.1 Industry Landscape and Trends

In 2021, China's economy progressed steadily amid obstacles and challenges. Economic development and epidemic prevention and control were well balanced, and the financial supply-side structural reform deepened, greatly improving the quality and efficiency of finance serving the real economy. Under economic recovery, the banking industry strongly supported key areas and weak links, enhanced the capabilities in providing financial services for small, medium and micro enterprises, and promoted the high-quality development of financial services for small and micro enterprises. While bailing out small businesses, the banking industry made new progress in preventing and resolving financial risks. The industry steadily promoted risk disposition on key groups and large enterprises, continued to reduce the risk exposure to high-risk institutions, and slashed the number of high-risk institutional customers. As for financial regulation, the regulators resolutely promoted anti-monopoly efforts and the prevention of disorderly expansion of capital, and incorporated all kinds of financial services into regulation, thus reducing financial risks.

In 2022, the world will enter the post-pandemic era, and there will be significant risks and uncertainties in the business environment. The banking industry will enhance its crisis awareness, macro awareness and strategic awareness, innovate scientifically to solve new contradictions and develop new patterns, and accelerate the transformation from large-scale, asset-heavy banks to value-oriented, asset-light banks and green banks, so as to support the stable and long-term development of China's economy with high-quality financial services.

10.2 Corporate Development Strategy

During the Reporting Period, the Bank adhered to the principle of "high-quality" development and "refined" management, set the strategic vision of building a "leading bank with high-quality development", and upheld the three distinctive business positions as "a commerce and logistics bank, a financing expert for SMEs, and a boutique bank for residents". We actively developed the "four new types of finance" (i.e. technological innovation finance, small and micro enterprise finance, rural finance and citizen finance), blazed a path of differentiated and featured development, and further supported the real economy. In the future, the Bank will press ahead with the transformation and development of financial services and contribute the "power of Zhengyin" to local economic development guided by the "14th Five-Year Plan", the ecological protection of the Yellow River Basin, the strategy of high-quality development and the development goals set by the central and local governments in major decisions and arrangements.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

10.3 Operating Plan

In 2022, the Bank will thoroughly implement the spirit of the central, provincial and municipal economic work conferences and the national banking and insurance regulatory work conference, adhere to the guidance for party building, carry out the “Five & Four Strategy”, and insist on structural reform, transformation and capacity building, in an effort to promote high-quality development.

We will thoroughly implement the “Five & Four Strategy” under a two-wheel-driven model. In terms of technological innovation finance, the Bank will further optimize the customer base, promote product upgrading, and step up support for national high-tech enterprises and “specialized and new” enterprises. In terms of small and micro enterprise finance, the Bank will continue to promote the “Partnership Project” and “Four-All Campaign” and strengthen the synergy with small and micro finance, rural finance and citizen finance, with a view to improving business quality and volume. In terms of rural finance, the Bank will step up marketing efforts, promote service upgrades, advance team building for rural finance business, and strengthen the cultivation of rural business personnel. In terms of citizen finance, the Bank will optimize convenience services and increase the activation rate of third-generation social security cards, in an effort to build a good market reputation. With the “Five Clouds” version 2.0 as an important support for corporate banking, the Bank will create hit products and form a closed-loop scenario-based ecosystem to consolidate the market share of corporate banking with the “Five Clouds” and increase their contribution to high-quality development.

We will work hard to maintain the high-quality development strategy. The Bank will closely follow the key national, provincial and municipal policies to allocate resources; uphold the principle of “building a deposit-based bank” to constantly optimize the debt structure; expand the basic customer base, consolidate the footprint in rural areas and communities, and improve marketing capabilities through team operations; accelerate the disposal of non-performing assets, establish the idea of “acting from the perspective of the Bank as a whole”, carry out stringent performance assessment, and strictly “control the addition of risky assets” to prevent the rebound of non-performing assets; adhere to innovation-driven digital transformation, accelerate the construction of agile organizations, promote the digitization of business operations and management, and use technologies to strengthen data governance; continuously expand the achievements in the “combat against non-compliance”, promote the construction of a compliance culture and a clean financial culture, and improve internal control and compliance management.

We will make coordinated efforts to provide support for transformation and development, promote the implementation of strategic planning, give full play to the role of strategic planning PMO, implement a regular inspection and assessment mechanism, and formulate a plan for strategic planning implementation for 2022; carry out capital planning and combine internal and external capital sources to consolidate the capital foundation for development; intensify the recruitment, selection and training of young talents, and strengthen the executive team building; deepen the disposal of “three types of assets” to safeguard the bottom line of risk control; improve the comprehensive risk management system, strictly control the file management risk, refine emergency response plans, and strengthen the management of the Group’s subsidiaries; comprehensively strengthen the construction of party conduct and integrity, and build a clean and honest financial ecosystem; give full play to the role of the corporate culture promotion group, increase the publicity and implementation of the “Spiritual Agreement of Bank of Zhengzhou”, and unite the hearts of all employees to promote high-quality development and common prosperity.

CHAPTER II MANAGEMENT DISCUSSION AND ANALYSIS

10.4 Potential Risks

With the accelerated evolution of the international political and economic landscape and the slowing global economic growth, the growth rate of foreign demand is likely to decline in 2022. Domestically, the epidemic may recur from time to time and continue to affect the recovery of economy, income and consumption. As China attaches greater importance to stable growth, the government will help stabilize and recover the growth rate of infrastructure investment. Adjustment may be made to the implementation of real estate regulation and control policies. Real estate investment may stabilize at a low level, but the overall growth rate will be lower than that in 2021. Enterprises are expected to perform better, but the downward pressure on the economy might have an impact on their expected results. Export growth may fall from a high level, weakening the driving force for the continuous recovery of the manufacturing industry. In 2021, serious flood and COVID-19 have materially impacted the economy of Henan Province. In 2022, Henan Province's economy is expected to stabilize and recover with the implementation of its ten strategies, the continuous development of key projects under the "Three in one Batch" program in the area, and the development of Zhengzhou's "1+8" metropolitan area into a magnet for new investment.

The Bank has been closely watching and evaluating the impact of macro policies, flood, the pandemic and regional bank restructuring on its business operations, and has taken measures to deal with them, in order to ensure that its financial position and operating results remain stable. The Bank pays close attention to industries and enterprises materially affected by flood and the pandemic, strengthens the research, judgment and access management of real estate and local government debts, and actively responds to the general trend of regional bank restructuring. Adhering to high-quality development, innovation-driven development, organic development and differentiated development, we press ahead with the development of "four new types of finance" and the adjustment of asset-liability structure, so as to achieve the balanced development of scale, profit and risk.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2020		Increase/decrease during the Reporting Period (+/-)					As at 31 December 2021	
	Proportion	Issuance of new shares	Bonus shares	Capitalization issue ⁽¹⁾	Others	Sub-total	Proportion	Number	
	Number								(%)
I. Shares subject to trading moratorium	4,187,717,028	55.73	-	-	+50,353,261	-3,684,131,926	-3,633,778,665	553,938,363	6.70
1. State-owned shares	539,995,230	7.18	-	-	-	-539,995,230	-539,995,230	-	-
2. Shares held by state-owned legal persons	1,688,951,983	22.48	-	-	+35,684,480	-1,332,107,183	-1,296,422,703	392,529,280	4.75
3. Shares held by other domestic investors	1,958,769,815	26.07	-	-	+14,668,781	-1,812,029,513	-1,797,360,732	161,409,083	1.95
Including: Shares held by domestic legal persons	1,925,254,244	25.62	-	-	+12,032,499	-1,804,929,260	-1,792,896,762	132,357,482	1.60
Shares held by domestic natural persons	33,515,571	0.45	-	-	+2,636,282	-7,100,252	-4,463,970	29,051,601	0.35
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	3,326,408,062	44.27	-	-	+701,059,248	+3,684,131,926	+4,385,191,174	7,711,599,236	93.30
1. Ordinary Shares denominated in RMB	1,656,608,062	22.05	-	-	+534,079,248	+3,684,131,926	+4,218,211,174	5,874,819,236	71.08
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,669,800,000	22.22	-	-	+166,980,000	-	+166,980,000	1,836,780,000	22.22
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	7,514,125,090	100.00	-	-	+751,412,509	-	+751,412,509	8,265,537,599	100.00

Notes:

- Any fractional part of a Share arising from the Capitalization Issue shall be handled pursuant to relevant requirements of the share registrar. The above number of Shares may deviate slightly due to the existence of fractional Shares.
- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, the Bank did not conduct any Share repurchase.

As at the end of the Reporting Period, the Bank issued 8,265,537,599 Ordinary Shares, including 1,836,780,000 H Shares and 6,428,757,599 A Shares.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) Shareholders changed their holder category labels; (2) in May 2021, the non-publicly issued A Shares with a lock-up period of 6 months were released from sales restrictions and listed for circulation; (3) the Bank completed the Share replacement registrations for Shareholders in September 2021 and those Shareholders transferred out A Shares held by them from the Bank's unrecognized holders' securities special accounts, meanwhile, the initial public offering of A Shares with a lock-up period of 36 months were released from sales restrictions and listed for circulation; (4) in December 2021, the Bank implemented the Capitalization Issue upon consideration and approval at the 2021 first extraordinary meeting, the 2021 second class meeting of the A Shareholders and the 2021 second class meeting of the H Shareholders convened by the Bank, pursuant to which 1 new Share was issued for every 10 Shares and a total of 751,412,509 Shares were issued, upon which the total Ordinary Shares of the Bank increased from 7,514,125,090 Shares to 8,265,537,599 Shares.

1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period

In December 2021, the Bank issued one new Share to the Ordinary Shareholders for every 10 Shares by way of capitalization issue. After the implementation of the Capitalization Issue, the number of Ordinary Shares of the Bank changed from 7,514,125,090 Shares to 8,265,537,599 Shares. Pursuant to the requirements of Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision), basic earnings per Share and diluted earnings per Share for the comparison periods were recalculated based on the number of Shares after the Capitalization Issue. The above matters had no impact on net assets per Share for the previous year and latest period. The impact on earnings per Share is set out as follows:

Major financial indicators	2021	2020 (after restatement)	2020 (before restatement)
Basic earnings per Share (RMB/Share)	0.33	0.36	0.41
Diluted earnings per Share (RMB/Share) ^(Note)	0.33	0.36	0.41

Note: Diluted earnings per Share is calculated by dividing the adjusted net profit of the diluted potential Ordinary Shares attributable to Ordinary Shareholders of the Bank by the weighted average of the adjusted outstanding Ordinary Shares of the Bank. During the Reporting Period and the comparison period, there were no diluted potential Ordinary Shares of the Bank, therefore, diluted earnings per Share equals basic earnings per Share.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.4 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the Reporting Period	Increase in the number of Shares subject to trading moratorium during the Reporting Period ⁽¹⁾	Number of Shares lifted from trading moratorium during the Reporting Period	Number of Shares subject to trading moratorium at the end of the Reporting Period	Reasons for trading moratorium	Date of lifting from trading moratorium
23 target subscribers of the non-public issuance including Zhengzhou High-tech Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	543,155,200	-	543,155,200	-	Share subscription from non-public issuance	27 May 2021
5 natural persons shareholders including YANG Min (楊敏)	22,939	-	22,939	-	Initial public offering	22 September 2021
19 legal persons shareholders including Zhengzhou Finance Bureau	2,551,488,910	-	2,551,488,910	-	Initial public offering	22 September 2021
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	408,746,640	-	237,246,640	-	Initial public offering	22 September 2021
		17,150,000 ⁽¹⁾	-	188,650,000	Share subscription from non-public issuance	27 November 2025
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	318,951,121	-	218,951,121	-	Initial public offering	22 September 2021
		10,000,000 ⁽¹⁾	-	110,000,000	Share subscription from non-public issuance	27 November 2025
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	311,511,663	-	126,166,863	-	Initial public offering	22 September 2021
		18,534,480 ⁽¹⁾	-	203,879,280	Share subscription from non-public issuance	27 May 2022
324 natural persons shareholders including YAN Zhixiang (閔志翔)	33,118,676	2,562,614 ⁽¹⁾	7,492,533	28,188,757	Initial public offering	-
Directors, supervisors and senior managers of the Bank (including directors, supervisors and senior managers before the initial public offering of A Shares)	374,830	31,861 ⁽¹⁾	56,220	350,471	Initial public offering	-
	22,065	490,307 ⁽²⁾	-	512,372	Lockup shares of senior management	-
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	20,324,984	2,032,499 ⁽¹⁾	-	22,357,483	Initial public offering	-
Total	4,187,717,028	50,801,761	3,684,580,426	553,938,363		

Notes:

- During the Reporting Period, the Bank implemented the Capitalization Issue based on 1 new Share for every 10 Shares; the new Shares issued to such Shareholders in the Capitalization Issue are subject to the trading moratorium as they are subject to the trading moratorium conditions.
- During the Reporting Period, the Bank formulated a plan to stabilize the share price of A Shares. Some directors, supervisors and senior management increased their holdings of A Shares. The locking and unlocking of the increased shares held by them shall be carried out in accordance with the requirements of the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange (consolidated, revised and renamed the No. 1 Self-discipline and Regulation Guideline for Listed Companies of Shenzhen Stock Exchange - Standard Operation of Listed Companies on the Main Board (深圳證券交易所上市公司自律監管指引第1號—主板上市公司規範運作)).

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 ISSUANCE AND LISTING OF SECURITIES

2.1 Issuance of Securities (Excluding Preference Shares) during the Reporting Period

To share operating results with shareholders, maintain and strengthen risk resistance in the increasingly challenging economic and regulatory environment at the moment, and enhance the liquidity of Shares in the market, on 3 December 2021, the Bank convened the 2021 first extraordinary general meeting, 2021 second class meeting of the A Shareholders and 2021 second class meeting of the H Shareholders to consider and approve the Capitalization Issue plan, pursuant to which 1 new Share for every 10 Shares shall be issued to the Ordinary Shareholders whose names appeared on the register of Shareholders of the Bank as at the dividend distribution registration date by way of capitalization issue, amounting to issuance of 751,412,509 Shares (including 584,432,509 A Shares and 166,980,000 H Shares) in total. Upon completion of the Capitalization Issue, the total number of Ordinary Shares of the Bank changed from 7,514,125,090 to 8,265,537,599, and the total share capital of the Bank increased from RMB7,514,125,090 to RMB8,265,537,599. On 20 December 2021, the Shares issued under the Capitalization Issue were listed. For details, please refer to the announcements published by the Bank on CNINFO dated 17 September 2021, 14 October 2021, 27 October 2021, 30 October 2021, 17 November 2021, 4 December 2021, 13 December 2021; and the announcements published on the website of the Hong Kong Stock Exchange dated 17 September 2021, 13 October 2021, 27 October 2021, 29 October 2021, 17 November 2021, 3 December 2021 and 13 December 2021 and the circular dated 13 October 2021 and 17 November 2021.

During the Reporting Period, the Bank had neither newly issued preference shares nor corporate bonds which were publicly issued and listed on any stock exchanges.

For details of the bonds issuance of the Bank and its subsidiaries, please refer to “Issuance and Repurchase of Bonds” in the chapter headed “SIGNIFICANT EVENTS” of this Report.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2.2 Description of Changes in the Total Number of Ordinary Shares and the Composition of Shareholders, and Changes in the Structure of Corporate Assets and Liabilities

In December 2021, the Bank issued one new Share for every 10 Shares to Ordinary Shareholders by way of capitalization issue, upon which the number of Ordinary Shares of the Bank changed from 7,514,125,090 Shares to 8,265,537,599 Shares. For details of the Shareholders structure of the Bank, please refer to section headed “CHANGES IN ORDINARY SHARES” in this chapter.

As at the end of the Reporting Period, the Shareholders' equity of the Bank reached RMB59,412 million, representing an increase of RMB13,440 million or 29.23% from the end of the previous year. The equity attributable to Shareholders of the Bank reached RMB57,766 million, representing an increase of RMB13,271 million or 29.38% from the end of the previous year.

2.3 Existing Internal Employee Shares

The existing internal employee Shares are mainly, among others, acquired by shareholders of the original urban credit cooperatives and the joint urban credit cooperative through taking part in the establishment of the Bank in 1996, and through succession. As at the end of the Reporting Period, certain Shares of the Bank were lifted from trading moratorium and listed for circulation. To date, the date of issuance, offering price and shareholdings after the circulation of the internal employee Shares could not be accurately verified.

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the total number of Ordinary Shareholders of the Bank was 100,338, among which 100,281 were A Shareholders and 57 were H Shareholders. As at the end of the month prior to the publication date of this Report, the total number of Ordinary Shareholders was 98,678, among which 98,621 were A Shareholders and 57 were H Shareholders.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The direct shareholdings of the top 10 Ordinary Shareholders of the Bank at the end of the Reporting Period are set out as follows:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Shares type	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Status of Shares	Pledged, labeled or frozen	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	22.22	1,836,581,354	202,230,141	-	1,836,581,354	Unknown	-	-
Zhengzhou Finance Bureau	State-owned	A Shares	7.23	597,496,646	54,317,877	-	597,496,646	Pledged	84,799,000	-
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	5.44	449,810,819	40,891,893	188,650,000	261,160,819	-	-	-
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	4.24	350,846,279	39,334,616	203,879,280	146,966,999	-	-	-
Henan Guoyuan Trade Co., Ltd. (河南國源貿易有限公司)	Domestic non state-owned legal person	A Shares	4.24	350,846,233	31,895,112	110,000,000	240,846,233	Pledged	240,295,000	-
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.84	317,020,000	28,820,000	-	317,020,000	Pledged	317,020,000	-
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non state-owned legal person	A Shares	3.66	302,500,220	27,500,020	-	302,500,220	Pledged	151,250,000	-
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	3.50	289,706,030	26,336,912	-	289,706,030	-	-	-
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non state-owned legal person	A Shares	3.31	273,460,000	24,860,000	-	273,460,000	Pledged	136,729,997	-
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non state-owned legal person	A Shares	1.46	121,000,000	11,000,000	-	121,000,000	Pledged Frozen	121,000,000 121,000,000	-
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)	None									
Description of related party relationships or concerted actions of the above Shareholders	Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd.. Mr. FAN Yutao, deputy director of Zhengzhou Finance Bureau, was a director of Bridge Trust Co., Ltd.. The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).									
Description of entrusting/being entrusted voting rights or waiving voting rights of the above Shareholders	During the Reporting Period, Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Zhongyuan Trust Co., Ltd. signed the Voting Rights Entrustment Agreement, entrusting the corresponding voting rights of 98,746,133 A Shares (the number of shares before the Bank implemented the capitalization issuance plan in December 2021) held by Henan Investment Group Co., Ltd. to Zhongyuan Trust Co., Ltd..									
Special description of top 10 shareholders having repurchase accounts	None									
Description of the top 10 Ordinary Shareholders participating in margin financing and securities lending business (if any)	Henan Xingye Real Estate Development Co., Ltd. holds 283,470,220 A Shares through ordinary securities account and 19,030,000 A Shares through the customer credit transaction guaranteed securities account of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), holding a total of 302,500,220 A Shares.									

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The direct shareholdings of the top 10 Ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period are set out as follow:

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Class of Shares	Number
HKSCC Nominees Limited	1,836,581,354	H Shares	1,836,581,354
Zhengzhou Finance Bureau	597,496,646	A Shares	597,496,646
Yutai International (Henan) Real Estate Development Co., Ltd.	317,020,000	A Shares	317,020,000
Henan Xingye Real Estate Development Co., Ltd.	302,500,220	A Shares	302,500,220
Zhongyuan Trust Co., Ltd.	289,706,030	A Shares	289,706,030
Henan Chendong Industry Co., Ltd.	273,460,000	A Shares	273,460,000
Zhengzhou Investment Holdings Co., Ltd.	261,160,819	A Shares	261,160,819
Henan Guoyuan Trade Co., Ltd.	240,846,233	A Shares	240,846,233
Bridge Trust Co., Ltd.	146,966,999	A Shares	146,966,999
Henan Shengrun Holding Group Co., Ltd.	121,000,000	A Shares	121,000,000
Description of related party relationships or concerted actions among the top 10 Ordinary Shareholders not subject to trading moratorium, and between the top 10 Ordinary Shareholders not subject to trading moratorium and the top 10 Ordinary Shareholders	Please refer to the line headed "Description of related party relationships or concerted actions of the above Shareholders" in the table of the direct shareholdings of the top 10 Ordinary Shareholders.		

Notes:

- The data above is obtained from the register of Shareholders of the Bank as at 31 December 2021.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represents the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 Ordinary Shareholders and the top 10 Ordinary Shareholders not subject to trading moratorium carried out any agreed buy-back transactions.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank under section 336 of the SFO, details of which are set out as follows:

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	1,247,270,833	19.40	15.09
Zhengzhou Investment Holdings Co., Ltd.	A Shares	Long	Beneficial owner	449,810,819	7.00	5.44
Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽¹⁾	449,810,819	7.00	5.44
Henan Investment Group Co., Ltd.	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽²⁾	398,326,776	6.20	4.82
Bridge Trust Co., Ltd.	A Shares	Long	Beneficial owner	350,846,279	5.46	4.24
SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
State Power Investment Corporation Limited (國家電力投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	350,846,279	5.46	4.24
Henan Guoyuan Trade Co., Ltd.	A Shares	Long	Beneficial owner	350,846,233	5.46	4.24
ZHU Zhihui (朱志暉)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	350,846,233	5.46	4.24
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	456,380,540	24.85	5.52
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation ⁽⁵⁾	402,884,921	21.93	4.87
	H Shares	Short	Interest of controlled corporation ⁽⁵⁾	326,292,751	17.76	3.95
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	275,108,774	14.98	3.33
Yunnan Energy Investment (HK) Co., Limited	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	275,108,774	14.98	3.33
Yunnan Provincial Energy Investment Group Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽⁶⁾	275,108,774	14.98	3.33
Bao Xin Development Limited	H Shares	Long	Beneficial owner	235,233,506	12.81	2.85
Bao Xin International Group Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	235,233,506	12.81	2.85
Tinmark Development Limited	H Shares	Long	Beneficial owner and interest of controlled corporation ⁽⁷⁾	236,542,726	12.88	2.86
YAO Jianhui (姚建輝)	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	236,542,726	12.88	2.86
Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	156,090,000	8.50	1.89
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	156,090,000	8.50	1.89

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Goncius I Limited	H Shares	Long	Beneficial owner ⁽⁹⁾	115,501,859	6.29	1.40
	H Shares	Short	Beneficial owner ⁽⁹⁾	115,501,859	6.29	1.40
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	121,000,000	6.59	1.46
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	121,000,000	6.59	1.46
Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽¹¹⁾	121,000,000	6.59	1.46
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest ⁽¹²⁾	121,000,000	6.59	1.46
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	121,000,000	6.59	1.46
Haitong International Securities Group Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	121,000,000	6.59	1.46
Haitong International Holdings Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	121,000,000	6.59	1.46
Haitong Securities Co., Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	121,000,000	6.59	1.46
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner ⁽¹³⁾	90,957,714	4.95	1.10
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽¹³⁾	90,957,714	4.95	1.10

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank, and the Capitalization Issue plans completed in June 2020 and December 2021, respectively.

Notes:

1. These 1,247,270,833 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 597,496,646 Shares directly held by Zhengzhou Finance Bureau, 449,810,819 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 78,963,368 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 60,500,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 60,500,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) is wholly-owned by Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which is in turn wholly-owned by Zhengzhou Finance Bureau (鄭州市財政局). Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), while Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤), the deputy director of Zhengzhou Finance Bureau, and Mr. LIANG Songwei (梁嵩巍), chairman and general manager of Zhengzhou Investment Holdings Co., Ltd., ceased to be non-executive Directors of the sixth session of the Board at the conclusion of the 2020 AGM. Ms. WANG Dan (王丹) who works for Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. and Mr. LIU Bingheng (劉炳恒), a director of the Financial Operation Center of Zhengzhou Investment Holdings Co., Ltd., now serve as the non-executive Directors of the seventh session of the Board elected at the 2020 AGM.
2. These 398,326,776 Shares are directly or indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 108,620,746 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 289,706,030 Shares held through Zhongyuan Trust Co., Ltd. (中原信託有限公司). Zhongyuan Trust Co., Ltd. (中原信託有限公司) is held as to 58.97% by Henan Investment Group Co., Ltd. (河南投資集團有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is a vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
3. Bridge Trust Co., Ltd. (百瑞信託有限責任公司) is owned as to 50.24% by SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), which is in turn wholly-owned by SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司), while SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) is owned as to 53.25% by State Power Investment Corporation Limited (國家電力投資集團有限公司). By virtue of the SFO, SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), SPIC Dongfang New Energy Corp. (國家電投集團東方新能源股份有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司) are deemed to be interested in the Shares held by Bridge Trust Co., Ltd. (百瑞信託有限責任公司). Mr. SU Xiaojun (蘇小軍), a non-executive director of the Bank, is the General Manager, Deputy Party Secretary and an executive director of Bridge Trust Co., Ltd..

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4. Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) is owned as to 90% and 10% by Mr. ZHU Zhihui and his spouse Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司). Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

5. CITIC Securities Company Limited held a total of 402,884,921 H Shares (long position) and 326,292,751 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 402,884,921 H Shares (long position) and 326,292,751 H Shares (short position) involve derivatives in the classes below:

288,826,835 H Shares (long position)	– Convertible instruments (on-exchange transaction)
114,058,086 H Shares (long position) and 326,292,751 H Shares (short position)	– Settled in cash (curb trading)

6. These 275,108,774 Shares are directly held by Yunnan International Holding Group Limited, which is owned as to 40% by Yunnan Energy Investment (HK) Co., Limited, while Yunan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.

7. These 235,233,506 Shares are directly held by Bao Xin Development Limited, which is wholly-owned by Bao Xin International Group Limited. While Bao Xin International Group Limited is wholly-owned by Tinmark Development Limited, which is wholly-owned by Mr. YAO Jianhui (姚建輝). By virtue of the SFO, Bao Xin International Group Limited, Tinmark Development Limited and Mr. YAO Jianhui are deemed to be interested in the Shares held by Bao Xin Development Limited.

These 1,309,220 Shares are directly held by Tinmark Development Limited, which is wholly-owned by Mr. YAO Jianhui. By virtue of the SFO, Mr. YAO Jianhui is deemed to be interested in the Shares held by Tinmark Development Limited. Therefore, Tinmark Development Limited and Mr. YAO Jianhui are deemed to be interested in a total of 236,542,726 Shares.

8. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 156,090,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).

9. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the Capitalization Issue plans completed in June 2020 and December 2021 respectively by the Bank.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

10. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司) (“**Xingrui Industrial**”), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xinggang Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 57.65% by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”, which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司) (“**Zhengzhou Zhongrui**”)). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) (“**Henan Zhongrui Holding**”), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing are deemed to be interested in the Shares held by Hong Kong Xingrui.
11. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).
12. Haitong International Financial Product (Singapore) Pte. Ltd. has a security interest in these 121,000,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International Securities Group Limited. Haitong International Securities Group Limited is 64.40% owned by Haitong International Holdings Limited, which is in turn wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd., Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are all deemed to be interested in Shares held by Haitong International Financial Products (Singapore) Pte. Ltd.. After the Reporting Period, Haitong International Financial Products (Singapore) Pte. Ltd. sold 121,000,000 Shares held by it.
13. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd., respectively, while Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position)

– Others (on-exchange transaction)

As the relevant interests involve derivatives, the information disclosed has not taken into account the Capitalization Issue plans completed in June 2020 and December 2021 respectively by the Bank.

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 597,496,646 A Shares, accounting for 7.23% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) which are directly or indirectly wholly owned by Zhengzhou Finance Bureau hold a total of 649,774,187 A Shares. These Shares in total accounted for 1,247,270,833 A Shares, representing approximately 15.09% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao (樊玉濤), who ceased to be a non-executive Director of the sixth session of the Board at the conclusion of the 2020 AGM, is the deputy director of Zhengzhou Finance Bureau. Ms. WANG Dan, now serving as a non-executive Director of the seventh session of the Board elected at the 2020 AGM, works for Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd., which is controlled by Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3,525 million; the Unified Social Credit Code is 91410100780545414U; the legal representative is Mr. LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. held 449,810,819 A Shares, accounting for 5.44% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei (梁嵩巍), who ceased to be a non-executive Director of the sixth session of the Board at the conclusion of the 2020 AGM, is the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd.. Mr. LIU Bingheng (劉炳恒), now serving as a non-executive director of the seventh session of the Board elected at the 2020 AGM, is a director of the Financial Operation Center of Zhengzhou Investment Holding Co., Ltd.. The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司), Zhengzhou National Investment Real Estate Co., Ltd. (鄭州國投置業有限公司) and Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司), etc. The ultimate beneficial owner of Zhengzhou Investment Holdings Co., Ltd. is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6.2 Other Substantial Shareholders

According to the requirement of the Provisional Measures on the Management of the Equity of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by CBIRC, information on other substantial Shareholders of the Bank as at the end of the Reporting Period is as below:

Bridge Trust Co., Ltd. (百瑞信託有限責任公司): incorporated on 16 October 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 9141010041604690XK; the legal representative is Mr. ZHAO Changli (趙長利); the main business scope covers capital, movable property, real estate, securities, other property or property rights trust, and the engagement in investment fund business as the initiator of investment fund or fund management company. As at the end of the Reporting Period, Bridge Trust Co., Ltd held 350,846,279 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. SU Xiaojun (蘇小軍), a non-executive Director of the Bank, is the General Manager, Deputy Party Secretary and an executive director of Bridge Trust Co., Ltd., whose controlling shareholder is SPIC Capital Holdings Co., Ltd. (國家電投集團資本控股有限公司), whose de facto controller is State Power Investment Corporation Limited (國家電力投資集團有限公司), and whose related parties include SPIC Capital Holding Co., Ltd. (國家電投集團資本控股有限公司) and State Power Investment Corporation Limited (國家電力投資集團有限公司). The ultimate beneficial owner of Bridge Trust Co., Ltd. is itself.

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as prepackaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 350,846,233 A Shares, accounting for 4.24% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor of the Bank, is the legal representative, executive director and general manager of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficial owner of Henan Guoyuan Trade Co., Ltd. is itself.

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. ZHAO Weihua (趙衛華); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaged in the investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. held 289,706,030 A Shares, accounting for 3.50% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director of the Bank, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Great Wall Fund Management Co., Ltd. (長城基金管理有限公司). The ultimate beneficial owner of Zhongyuan Trust Co., Ltd. is itself.

CHAPTER III CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,990,540,197 Ordinary Shares of the Bank (accounting for 24.08% of the total issued Ordinary Shares) were subject to pledges and 159,408,786 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

CHAPTER IV PREFERENCE SHARES

1 ISSUANCE AND LISTING OF PREFERENCE SHARES IN THE LAST THREE YEARS AS AT THE END OF THE REPORTING PERIOD

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference share: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approval from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully utilized to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed previously.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of holders (or nominees) of Offshore Preference Shares of the Bank was one. As at the end of the month prior to the publication date of this Report, the total number of holders (or nominees) of Offshore Preference Shares was one.

The following table sets out shareholdings of the top 10 shareholders of Offshore Preference Shares (or nominees) of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of shareholder	Type of shareholder	Shareholding percentage ⁽⁹⁾ (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held without trading moratorium	Shares pledged or frozen Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	-	-	59,550,000	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution				None				
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 Ordinary Shareholders				The Bank is not aware of any related party relationships between the above shareholder of preference shares and the top 10 Ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies 《上市公司收購管理辦法》.				

CHAPTER IV PREFERENCE SHARES

Notes:

1. The above data are based on the register of the shareholders of Offshore Preference Shares of the Bank as at 31 December 2021.
2. The above Offshore Preference Shares were issued through a private offering, information of nominees of the allottees was recorded on the register of shareholders of preference shares.
3. “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

The dividend on the Offshore Preference Shares is paid in cash on an annual basis. After receiving the dividends at the prescribed dividend rate, the shareholders of preference shares shall not be entitled to any distribution of residual profits of the Bank together with the Ordinary Shareholders. The Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the shareholders of preference shares in full by the Bank will not be accumulated to the following dividend period. During the Reporting Period, the Bank did not adjust or change its profit distribution policy for preference shares.

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on 27 August 2021, the Bank distributed the dividends on the Offshore Preference Shares pursuant to the terms of the Offshore Preference Shares. The total dividends on the Offshore Preference Shares distributed by the Bank amounted to US\$72,783,333.33, of which US\$65,505,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.50%, and US\$7,278,333.33 was withheld as the income tax. Relevant taxes were covered by the Bank. For details, please refer to the announcements dated 30 August 2021 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange. On 18 October 2021, the Bank completed the dividend payment of Offshore Preference Shares. Such dividend distribution of Offshore Preference Shares is in compliance with the dividend distribution conditions and relevant procedures.

The Bank will hold a Board meeting at least ten working days prior to the next dividend payment date of the Offshore Preference Shares (i.e. 18 October 2022) to consider issues related to the dividend payment and issue announcement to notify holders of the Offshore Preference Shares.

CHAPTER IV PREFERENCE SHARES

4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no repurchase or conversion of the Offshore Preference Shares of the Bank.

5 RESUMPTION AND EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, and between the end of the Reporting Period and the end of the month prior to the publication date of this Report, no voting rights of the Offshore Preference Shares were resumed or exercised.

6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Share option	Number of Shares Granted subject to trading moratorium (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)		Number of Shares held as at the end of the Reporting Period (Shares)
											Other increase and decrease (Shares)	Reporting Period (Shares)	
WANG Tianyu (王天宇)	M	March 1966	Chairman	In office	2011.3.9-2024.6.16	A Shares	27,503	-	-	35,640	-	-	63,143
			Executive Director	In office	2005.12.16-2024.6.16								
SHEN Xueqing (申學清)	M	July 1965	President	In office	2012.4.5 to present	A Shares	-	-	-	55,000	-	-	55,000
			Executive Director	In office	2012.7.12-2024.6.16								
XIA Hua (夏華)	M	August 1967	Vice Chairman and Executive Director	In office	2020.7.2-2024.6.16	A Shares	-	-	-	51,150	-	-	51,150
			Secretary to the Board	In office	2021.8.27 to present								
WANG Dan (王丹)	F	January 1978	Non-executive Director	In office	2021.11.8-2024.6.16	-	-	-	-	-	-	-	-
LIU Bingheng (劉炳恒)	M	September 1969	Non-executive Director	In office	2021.11.9-2024.6.16	-	-	-	-	-	-	-	-
SU Xiaojun (蘇小軍)	M	April 1973	Non-executive Director	In office	2021.11.9-2024.6.16	-	-	-	-	-	-	-	-
JI Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2024.6.16	A Shares	-	-	-	1,870	-	-	1,870
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2024.6.16	A Shares	-	-	-	22,000	-	-	22,000
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2024.6.16	-	-	-	-	-	-	-	-
LI Xiaojian (李小建)	M	August 1954	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	Independent non-executive Director	In office	2022.1.19-2024.6.16	-	-	-	-	-	-	-	-
LI Shuk Yin Edwina (李淑賢)	F	December 1962	Independent non-executive Director	In office	2021.12.20-2024.6.16	-	-	-	-	-	-	-	-
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	Resigned	2015.9.8-2021.6.17	-	-	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	Resigned	2012.7.12-2021.6.17	-	-	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	Resigned	2012.7.12-2021.6.17	-	-	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	Resigned	2015.9.8-2021.12.20	-	-	-	-	-	-	-	-
CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non-executive Director	Resigned	2015.9.8-2021.12.20	-	-	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	Resigned	2015.9.8-2022.1.19	-	-	-	-	-	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
- On 19 January 2022, the qualification of Mr. SONG Ke as an independent non-executive Director was approved, and Mr. WU Ge ceased to be an independent non-executive Director of the Bank.
- The increase or decrease in the number of Shares during the Reporting Period is due to (1) the Bank implemented the plan to stabilize the share price of A Shares from July 2021 to January 2022, and some Directors increased their holdings of A Shares; (2) the Bank completed the Capitalization Issue by way of issuing 1 Share for every 10 Shares in December 2021.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Supervisors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Share option	Number of Shares Granted subject to trading moratorium	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held		Number of Shares held as at the end of the Reporting Period
											Other increase and decrease	Reporting Period	
ZHAO Lijuan (赵麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2024.6.16	A Shares	-	-	-	58,850	-	-	58,850
			Employee Supervisor	In office	2018.6.15-2024.6.16								
ZHU Zhihui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2024.6.16	-	-	-	-	-	-	-	-
MA Baijun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2024.1.18	-	-	-	-	-	-	-	-
XU Changsheng (徐長生)	M	October 1963	External Supervisor	In office	2021.6.17-2024.6.16	-	-	-	-	-	-	-	-
LI Hualbin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2024.6.16	A Shares	-	-	-	22,000	-	-	22,000
CHEN Xinxiu (陳新秀)	F	June 1973	Employee Supervisor	In office	2021.6.17-2024.6.16	A Shares	-	-	-	47,300	-	-	47,300
SONG Ke (宋科)	M	April 1982	External Supervisor	Resigned	2017.5.19-2021.6.17	-	-	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	Resigned	2018.6.15-2021.6.17	A Shares	6,940	-	-	694	-	-	7,634

Note: The increase or decrease in the number of Shares during the Reporting Period is due to (1) the Bank implemented the plan to stabilize the share price of A Shares from July 2021 to January 2022, and some Supervisors increased their holdings of A Shares voluntarily; (2) the Bank completed the Capitalization Issue by way of issuing 1 Share for every 10 Shares in December 2021.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period	Share option	Number of Shares granted subject to trading moratorium	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period		Number of Shares held as at the end of the Reporting Period
											Other increase and decrease	decrease	
SHEN Xueqing (申學清)	M	July 1965	President	In office	2012.4.5 to present	A Shares	-	-	-	55,000	-	-	55,000
XIA Hua (夏華)	M	August 1967	Secretary to the Board	In office	2021.8.27 to present	A Shares	-	-	-	51,150	-	-	51,150
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	2015.12.30 to present	A Shares	41,052	-	-	52,506	-	-	93,558
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	2018.2.28 to present	A Shares	-	-	-	47,700	-	-	47,700
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	2019.3.29 to present	A Shares	-	-	-	36,000	-	-	36,000
			Secretary to the Board	Resigned	2013.10.18-2021.8.27								
LI Lei (李磊)	M	August 1973	Assistant to President	In office	2017.11.21 to present	A Shares	81,778	-	-	54,048	-	-	135,826
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	2017.11.21 to present	A Shares	-	-	-	42,020	-	-	42,020
LI Hong (李紅)	F	February 1973	Assistant to President	In office	2019.3.29 to present	A Shares	29,421	-	-	49,142	-	-	78,563
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	2019.3.29 to present	A Shares	-	-	-	49,500	-	-	49,500
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	2015.12.31 to present	A Shares	5,500	-	-	18,750	-	-	24,250
WANG Yanli (王艷麗)	F	October 1970	Chief Risk Officer	In office	2018.2.12 to present	A Shares	122,666	-	-	51,867	-	-	174,533
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	2018.3.8 to present	A Shares	77,679	-	-	46,268	-	-	123,947
ZHANG Wenjian (張文建)	M	June 1965	Vice President	Resigned	2018.2.28-2021.4.20	-	-	-	-	-	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority (the starting dates of the term of office of the secretary to the Board is the date on which the the appointment is considered and approved at the Board meeting).
- The increase or decrease in the number of Shares during the Reporting Period is due to (1) the Bank implemented the plan to stabilize the share price of A Shares from July 2021 to January 2022, and some senior management officers increased their holdings of A Shares; (2) the Bank completed the Capitalization Issue by way of issuing 1 Share for every 10 Shares in December 2021.

The table above discloses the Shares directly held by the Directors, Supervisors and senior management of the Bank. For the interests and short positions that the Directors, Supervisors and chief executive have in the Bank under the SFO and in accordance with the Hong Kong Listing Rules, please refer to the chapter headed "Report of the Board of Directors" of this Report.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
WANG Dan (王丹)	Non-executive Director	Elected	8 November 2021	
LIU Bingheng (劉炳恆)	Non-executive Director	Elected	9 November 2021	
SU Xiaojun (蘇小軍)	Non-executive Director	Elected	9 November 2021	
LI Xiaojian (李小建)	Independent non-executive Director	Elected	20 December 2021	
LI Shuk Yin Edwina (李淑賢)	Independent non-executive Director	Elected	20 December 2021	
SONG Ke (宋科)	Independent non-executive Director	Elected	19 January 2022	
FAN Yutao (樊玉濤)	Non-executive Director	Resigned	17 June 2021	Resignation after the conclusion of term office
ZHANG Jingguo (張敬國)	Non-executive Director	Resigned	17 June 2021	Resignation after the conclusion of term office
LIANG Songwei (梁嵩巍)	Non-executive Director	Resigned	17 June 2021	Resignation after the conclusion of term office
XIE Taifeng (謝太峰)	Independent non-executive Director	Resigned	20 December 2021	Resignation after the conclusion of term office
CHAN Mei Bo Mabel (陳美寶)	Independent non-executive Director	Resigned	20 December 2021	Resignation after the conclusion of term office
WU Ge (吳革)	Independent non-executive Director	Resigned	19 January 2022	Resignation after the conclusion of term office
XU Changsheng (徐長生)	External Supervisor	Elected	17 June 2021	
CHEN Xinxiu (陳新秀)	Employee Supervisor	Elected	17 June 2021	
SONG Ke (宋科)	External Supervisor	Resigned	17 June 2021	Resignation after the conclusion of term office
CHENG Jie (成潔)	Employee Supervisor	Resigned	17 June 2021	Resignation after the conclusion of term office
ZHANG Wenjian (張文建)	Vice President	Resigned	20 April 2021	Resignation due to age reasons
FU Chunqiao (傅春喬)	Secretary to the Board	Resigned	27 August 2021	Work adjustment
XIA Hua (夏華)	Secretary to the Board	Appointed	27 August 2021	

During the reporting period, the Bank did not have situations where Directors or Supervisors resigned or senior management officers were fired during their term of office.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2.1 Changes in Directors During and After the Reporting Period

The Directors of the Bank hold office for a term of three years and can stand for re-election upon expiration. In June 2021, the term of office of the sixth session of the Board expired. A total of 12 Directors were re-elected or elected into the seventh session of the Board at the 2020 AGM, among which, Mr. WANG Tianyu, Mr. SHEN Xueqing, Mr. XIA Hua are executive Directors; Ms. WANG Dan, Mr. LIU Bingheng, Mr. SU Xiaojun, Mr. JI Hongjun, Mr. WANG Shihao are non-executive Directors; Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina are independent non-executive Directors. At the conclusion of the 2020 AGM, Mr. FAN Yutao, Mr. ZHANG Jingguo and Mr. LIANG Songwei ceased to be non-executive Directors. On 8 November 2021, the qualification of Ms. WANG Dan was approved by CBIRC Henan Office. On 9 November 2021, the qualifications of Mr. LIU Bingheng and Mr. SU Xiaojun were approved by CBIRC Henan Office. On 20 December 2021, the qualifications of Mr. LI Xiaojian and Ms. LI Shuk Yin Edwina were approved by CBIRC Henan Office, and Mr. XIE Taifeng and Ms. CHAN Mei Bo Mabel ceased to be independent non-executive Directors. On 19 January 2022, the qualification of Mr. SONG Ke was approved by CBIRC Henan Office, and Mr. WU Ge ceased to be an independent non-executive Director. For details, please refer to the announcements dated 17 May 2021, 18 June 2021, 13 November 2021, 24 December 2021 and 10 February 2022 published by the Bank on the website of CNINFO and the announcements dated 17 May 2021, 17 June 2021, 12 November 2021, 24 December 2021 and 10 February 2022 and the circular dated 17 May 2021 published by the Bank on the website of Hong Kong Stock Exchange.

2.2 Changes in Supervisors During the Reporting Period

In May 2021, Ms. ZHAO Lijuan, Mr. LI Huaibin and Ms. CHEN Xinxiu were elected as employee supervisors of the new session of the Board of Supervisors by the second plenary meeting of the Third Committee of the Labor Union of the Bank. For details, please refer to the announcements dated 26 May 2021 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange. At the conclusion of the 2020 AGM, Ms. CHENG Jie no longer served as an employee supervisor.

In June 2021, the term of office of the sixth session of the Board of Supervisors expired. Three Supervisors were re-elected or elected into the seventh session of the Board of Supervisors at the 2020 AGM, among which, Mr. ZHU Zhihui is a shareholder Supervisor, while Mr. MA Baojun and Mr. XU Changsheng are external Supervisors. At the conclusion of the 2020 AGM, Mr. SONG Ke no longer served as an external Supervisor. For details, please refer to the announcements dated 17 May 2021 and 18 June 2021 published by the Bank on the website of CNINFO and the announcements dated 17 May 2021 and 17 June 2021 and the circular dated 17 May 2021 published by the Bank on the website of Hong Kong Stock Exchange.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2.3 Changes in Senior Management During the Reporting Period

On 20 April 2021, Mr. ZHANG Wenjian resigned from the post of vice chairman of the Bank due to age reasons. For details, please refer to the announcement dated 21 April 2021 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange.

On 27 August 2021, Mr. FU Chunqiao no longer served as the secretary to the Board of the Bank due to internal work adjustment of the Bank. On that day, after consideration and approval by the Board, Mr. XIA Hua was appointed as the the secretary to the Board of the Bank. For details, please refer to the announcement dated 30 August 2021 published by the Bank on the websites of CNINFO and Hong Kong Stock Exchange.

3 CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Mr. WANG Tianyu, an executive Director, no longer served as chairman of Zhongmu Zhengyin County Bank since April 2021. Ms. LI Shuk Yin Edwina, an independent non-executive Director, no longer served as director of Community Business Limited from December 2021.

During the Reporting Period, the Bank was informed that Mr. MA Baojun, an external Supervisor, has served as a director of Zhongyuan Innovation (Henan) Industry Research Institute Co., Ltd. (中原創新(河南)產業研究院有限公司) since July 2020, an executive director of Deyou (Hainan) Trading Co., Ltd. (德祐(海南)貿易有限公司) since September 2020, an executive director and general manager of Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司) since February 2021, chairman and general manager of Beijing Muse Financial Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司) since May 2021, and a director of Yuanyin Holdings Co., Ltd. (原銀控股有限公司) since December 2021.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

4 POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Biographies of Current Directors, Supervisors and Senior Management

Directors

Mr. WANG Tianyu holds a bachelor of economics in the finance from the Henan Institute of Finance and Economics (河南財經學院) (Henan, China), a master's degree in business administration from the National University of Singapore (Singapore), a master's degree in executive business administration from Tsinghua University (Beijing, China) and a doctoral degree in economics from Huazhong University of Science and Technology (Hubei, China). He is a senior accountant.

Mr. WANG has served as a Director of the Bank since December 2005 and the chairman of the Bank since March 2011, being primarily responsible for the overall operations and strategic management of the Bank. Mr. WANG joined the Bank in August 1996 and had successively served as the president of the Jingwu Road sub-branch and vice president and president of the Bank. Prior to joining the Bank, Mr. WANG had served as deputy manager and manager of the financial department of China Staff Travel Agency (中國職工旅行社) and Longxiang Hotel (龍祥賓館), and served as deputy director of Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社). In addition, Mr. WANG has been a member of the 12th People's Congress of Henan Province since January 2013 and was awarded the title of National Model Worker in April 2015. He was elected as a deputy to the 13th National People's Congress in January 2018.

Mr. SHEN Xueqing holds a bachelor of economics in the finance from Henan Institute of Finance and Economics (河南財經學院) (Henan, China), a master's degree in business administration from Xi'an Jiaotong University (Shaanxi, China) and a master's degree in executive business administration from Tsinghua University (Beijing, China). He is a senior economist.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. SHEN has served as an executive Director of the Bank since July 2012 and the president of the Bank since April 2012. He is primarily responsible for the daily operations and management of the Bank. Mr. SHEN joined the Bank in December 2011. Prior to joining the Bank, Mr. SHEN had served as deputy director of the general office of the Financial and Trade Commission of Pingdingshan City, Henan Province (河南省平頂山市財政貿易委員會), president of Dongming Road sub-branch, general manager of general office and general manager of No. 3 corporate banking department of Zhengzhou branch, president of Anyang sub-branch and vice president of Changsha branch of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司).

Mr. XIA Hua holds a bachelor of engineering in applied electronic technology from the Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) and an MBA degree for senior management personnel from the China Europe International Business School (中歐國際工商管理學院) (Shanghai, China). He is an economist.

Mr. XIA has served as an executive Director and vice chairman of the Bank since July 2020 and secretary to the Board of the Bank since August 2021. He is primarily responsible for the affairs of the internal audit office of the Board, and assists Mr. WANG Tianyu in managing the office of the Board, the remuneration and assessment office of the Board and the strategic development department of the Board. In addition, he has served as the chairman of Jiuding Financial Leasing Company since December 2019. Mr. XIA joined the Bank in December 2011 and served as vice president of the Bank. Prior to joining the Bank, Mr. XIA had served in the People's Bank of China as principal staff member of the rural cooperative finance management department of the Henan office, principal staff member of the cooperation department of the Zhengzhou regulatory office of the Jinan office, and principal staff member of the agricultural banks regulatory department, and served in the former CBRC Henan Office as principal staff member and deputy chief of the state-owned banking regulatory No. 1 department and deputy chief and regulatory researcher of the city commercial banks regulatory department.

Ms. WANG Dan holds a bachelor of management in accounting from Henan Institute of Science and Technology (河南科技學院) (Henan, China). She is an intermediate accountant.

Ms. WANG has served as a non-executive Director of the Bank since November 2021. She has served as the chairwoman of the board of supervisors of Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司) since August 2020 and served in Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) since May 2021. Ms. WANG had served as deputy director of the Zhengzhou Government Procurement Center of Zhengzhou Finance Bureau and director of the fund management division of the Zhengzhou Investment and Financing Decision Management Committee Office (Zhengzhou Investment and Financing Decision Service Center).

Mr. LIU Bingheng graduated from Zhengzhou University of Light Industry (鄭州輕工業學院) (Henan, China) majoring in financial accounting. He is an accountant.

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. LIU has served as a non-executive Director of the Bank since November 2021. He has served as the director of the financial operation center of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since October 2015. Mr. LIU had served as deputy general manager and chief financial officer of Henan Baihe International Highway Technology Co., Ltd. (河南百和國際公路科技有限公司) and chief financial officer of China Electronics Technology Information Industry Co., Ltd. (中電科信息產業有限公司).

Mr. SU Xiaojun graduated from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China), majoring in financial accounting, and Party School of the Central Committee of the Communist Party of China (Beijing, China), majoring in economic management (correspondence education). He holds a master's degree in executive business administration from Xi'an Jiaotong University and a master's degree in executive business administration from PBC School of Finance, Tsinghua University (Beijing, China).

Mr. SU has served as a non-executive Director of the Bank since November 2021. He has served as an executive director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) since April 2018, a general manager and a deputy party secretary of the said company since December 2018 and the chairman of Bridge (Beijing) Wealth Management Co., Ltd. (百瑞(北京)財富管理有限公司) since November 2020. Mr. SU had served as financial supervisor of the Beijing management headquarter, business director and business manager of the trust business department of Zhengzhou Trust Investment Company (鄭州信託投資公司).

Mr. JI Hongjun graduated from the CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China), majoring in economics (evening college). He holds a completion certificate of the post-graduate course for further studies in finance (金融學專業研究生課程進修班) from the Business School of Wuhan University (Hubei, China) and an MBA degree from the Asia International Open University (Macau) (Macau, China). He is a financial planner.

Mr. JI has served as a non-executive Director of the Bank since July 2012. He has successively served as deputy general manager and vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since December 2003, director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008 and director of Henan Asset Management Company Limited (河南資產管理有限公司) since August 2017. Mr. JI had served as principal staff member of the financial department of Henan Province Planning Economy Commission, principal staff member of the foreign economy department, deputy chief of the senior officer department, deputy chief of the fixed asset investment department and deputy chief of the finance department of the Henan Province Planning Commission, deputy chief of the No. 1 credit loan section of the Henan Branch of the China Development Bank (國家開發銀行河南省分行), and non-executive director of Bank of China Travel Services Jiaozuo Co., Ltd. (焦作中旅銀行股份有限公司).

Mr. WANG Shihao graduated from Fudan University (Shanghai, China), majoring in financial management cadre. He holds an MBA degree from the Arizona State University (U.S.). He is a senior economist.

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Mr. WANG had served as an independent non-executive Director of the Bank from July 2012 to June 2018, and has served as a non-executive Director of the Bank since July 2018. He has served as a part-time professor of the Shanghai National Accounting Institute since July 2010, a part-time professor of the Overseas Education College of Shanghai Jiao Tong University since January 2011, a part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013, an independent director of Bank of Lanzhou Co., Ltd. since June 2016, and an independent director of Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司) since January 2019. Mr.WANG had served as director and legal representative of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社), executive director and vice president of Bank of Shanghai, legal representative of the Funds Clearing Centre for City Commercial Banks, special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家), independent director of Huishang Bank Corporation Limited and a visiting professor (Year 2012-2014) of the School of Economics of Fudan University.

Ms. LI Yanyan holds a bachelor's degree from Henan University (Henan, China), a master's degree in economics from Fudan University (Shanghai, China) and a doctorate degree in economics from Nanjing University (Jiangsu, China). She is a professor.

Ms. LI has served as an independent non-executive Director of the Bank since July 2018. She has served as a professor of Zhengzhou University since May 2008, and director and editor-in-chief of the school newspaper editorial department of Zhengzhou University since January 2015. Ms. LI had served as a teacher in the social science department of Xinxiang Medical College (新鄉醫學院), a teacher in the College of Economics of Henan University and a teacher and deputy dean of the Business School of Zhengzhou University. She carried out her post-doctoral research work at Chinese Academy of Social Sciences (Beijing, China).

Mr. LI Xiaojian holds a bachelor of science in geography from Henan Normal University (河南師範大學) (now renamed as Henan University (河南大學)) (Henan, China) and a doctor and professor of economics in economic geography from Nankai University (南開大學) (Tianjin, China).

Mr. LI has served as an independent non-executive Director of the Bank since December 2021. He has served as an external supervisor of Zhongyuan Bank Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01216) since December 2014. Mr. LI had served as the vice principal of Henan University, the principal of Henan College of Finance and the principal of Henan University of Economics and Law. In addition, Mr. LI was granted the special allowance from the State Council in 1997, accredited as a National Young and Middle-aged Expert with Outstanding Contributions (國家有突出貢獻中青年專家) in 1998 and granted the title of "Accomplished Entrepreneurs among the New Generation of Overseas Chinese (新橋成功創業人士)" by All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會) in 2003.

Mr. SONG Ke holds a bachelor of economics in finance and a doctor of economics in finance from Renmin University of China (Beijing, China).

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Mr. SONG had served as an external Supervisor of the Bank from May 2017 to June 2021, and has served as an independent non-executive Director of the Bank since January 2022. He has served as a lecturer in the Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系) since September 2015, deputy party secretary of the School of Finance of Renmin University of China (中國人民大學財政金融學院) since April 2019, a council director and deputy director of the International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所) since January 2014 and an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06199) since August 2018. In addition, Mr. SONG had served as league secretary general of the School of Finance and a post-doctoral researcher of the School of Statistics of Renmin University of China (中國人民大學財政金融學院), deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office (貴州省政府金融辦銀行處) and an independent non-executive director of Zhejiang YongAn Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 08211).

Ms. LI Shuk Yin Edwina holds an honours bachelor of arts in accounting from University of Exeter (UK), a postgraduate diploma in enterprise risk management from HKU School of Professional and Continuing Education and a master's degree in risk management from Glasgow Caledonian University (UK). She is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. LI has served as an independent non-executive Director of the Bank since December 2021. She has served as an independent non-executive director of China CITIC Bank International Limited since September 2018, and a director of Elite Beam Limited since February 2017. Ms. LI had served as the partner in charge of audit of the China financial services business of KPMG.

Supervisors

Ms. ZHAO Lijuan graduated from the Air Force Logistics Management College of the People's Liberation Army (中國人民解放軍空軍後勤管理學院) (Jiangsu, China), majoring in financial management. She obtained a completion certificate of advanced course program in finance major in the master of business administration program (工商管理碩士課程金融方向高級研修班) from the School of Finance of Renmin University of China (Beijing, China). She is a senior political consultant and a senior economist.

Ms. ZHAO has served as an employee Supervisor and the chairwoman of the Board of Supervisors of the Bank since June 2016 and the chairwoman of Xunxian Zhengyin County Bank since November 2017. She had served as the chairwoman of the labor union of the Bank from November 2007 to April 2021. Ms. ZHAO joined the Bank in August 1996 and had successively served as president of the Wulibao sub-branch, president of the Jinhai Avenue sub-branch and vice president of the Bank, and a Shareholder Supervisor and the chairwoman of the Board of Supervisors of the Bank. Prior to joining the Bank, Ms. ZHAO had served as accounting chief of Zhengzhou Wulibao City Credit Cooperatives (鄭州五里堡城市信用社).

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Mr. ZHU Zhihui graduated from CCP Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China), majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China).

Mr. ZHU has served as a Shareholder Supervisor of the Bank since June 2015. He has served as the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since November 2011, the chairman of Henan Huida Jiarui Property Co., Ltd. (河南暉達嘉睿置業有限公司) since March 2013, and the chairman of Huida Holdings Limited (暉達控股有限公司) since January 2015. Previously, Mr. ZHU had served as deputy general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司), general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) and chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司).

Mr. MA Baojun holds a bachelor's degree in arts from South-Central University for Nationalities (中南民族學院) (Hubei, China) and a master's degree in business administration from the National University of Singapore (Singapore). He is a senior economist.

Mr. MA has served as an external Supervisor of the Bank since January 2018. He has served as the chairman and general manager of Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科技創新基金管理有限公司) since December 2016, a supervisor of Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司) since June 2010, a director of Tak Yau Limited since June 2017, a director of Central China Innovation (Henan) Industrial Research Institute Co., Ltd. (中原創新(河南)產業研究院有限公司) since July 2020, an executive director of Deyou (Hainan) Trade Co., Ltd. (德祐(海南)貿易有限公司) since September 2020, an executive director and general manager of Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司) since February 2021, chairman and general manager of Beijing Muse Financial Service Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司) since May 2021, and a director of Yuanyin Holdings Limited (原銀控股有限公司) since December 2021. In addition, Mr. MA had served as deputy director of the Zhengzhou Finance Bureau office, deputy general manager and general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司), the chairman of the board of directors of Bridge Trust Investment Company Limited (百瑞信託投資有限責任公司), a member of the Party Committee of SPIC Capital Holding Co., Ltd. (國家電投資本控股有限公司), the chairman of the board of directors of Central China Airport Industry Fund Management Co., Ltd. (中原航空港產業投資基金管理有限公司), the chairman of the board of directors of Henan Jianye Holdings Development Co., Ltd. (河南建業控股發展有限公司) and a director of Henan Houpu Jianye Fund Management Co., Ltd. (河南厚樸建業基金管理有限公司).

Mr. XU Changsheng holds a bachelor's degree in economics from Nanjing University (Jiangsu, China), and a master's degree and a doctor's degree in economics from Wuhan University (Hubei, China).

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Mr. XU has served as an external Supervisor of the Bank since June 2021. He has been teaching in Huazhong University of Science and Technology since July 1987, serving as a professor since September 1997. Mr. XU has been serving as a committee member of China Foreign Economics Research Association (中華外國經濟學研究會) since January 1995 and concurrently as the vice president of Economy Development Society (發展經濟學分會) since September 2007, a director of China Association of Productivity Science (中國生產力學會) since January 1998, and a director of the China Institute of Private Sector (中國民營經濟研究會) since January 2014. Mr. XU served as the dean of the Huazhong University of Science and Technology School of Economics.

Mr. LI Huaibin holds a bachelor of engineering in food engineering from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China) and a master's degree in finance from Zhongnan University of Economics and Law (Hubei, China). He is an economist.

Mr. LI has served as an employee Supervisor of the Bank since June 2018 and the president of the Nongye Road East sub-branch of the Bank since September 2018. He joined the Bank in July 1997 and had served as the chief of the corporate banking department, the president of the Executive District sub-branch, the president of the Eastern District sub-branch, the president of the Xingyang sub-branch and the president of the Shangqiu branch of the Bank. Prior to joining the Bank, Mr. LI had served as a sales manager of the sales department of Zhengzhou Grain Machinery Co., Ltd. (鄭州糧機股份有限公司).

Ms. CHEN Xinxiu graduated from Kaifeng University (Henan, China), majoring in financial accounting, and The Open University of China (中央廣播電視大學), majoring in finance. She is an assistant accountant.

Ms. CHEN has served as an employee Supervisor of the Bank since June 2021 and the chief officer of the business department of the head office of the Bank since May 2021. She joined the Bank in August 1996 and served as the head of the marketing and business department, deputy general manager of the credit approval department, and president of the Zhengtong Road sub-branch of the Bank.

Senior Management

For the biographies of **Mr. SHEN Xueqing** and **Mr. XIA Hua**, please see the section headed "Directors" of this chapter.

Mr. GUO Zhibin graduated from Zhengzhou University (Henan, China), majoring in finance, and Henan University (Henan, China) with the completion of the national economics postgraduate course program (國民經濟學專業研究生課程進修班). He holds a master's degree in business administration from the Asia International Open University (Macau) (Macau, China), and an EMBA degree from the Guanghua School of Management of Peking University (北京大學光華管理學院) (Beijing, China). He is an economist.

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Mr. GUO has served as vice president of the Bank since December 2015, primarily responsible for the operations of the administrative management department, the financial market department, the asset management department and the bill business department of the Bank. He had served as the chairman of Xinzheng Zhengyin County Bank from July 2018 to March 2021. Mr. GUO joined the Bank in December 2010 and served as assistant to the president of the Bank. Prior to joining the Bank, Mr. GUO had served as the manager of the general office and deputy general manager of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司), vice president of the Hongzhuan Road sub-branch of the Zhengzhou branch, deputy general manager of corporate business No. 2 department of the Zhengzhou branch, and the general manager of the asset security department of the Zhengzhou branch at Everbright Bank Co., Ltd. (光大銀行股份有限公司), and president of the Huanghe Road sub-branch of the Zhengzhou branch at Industrial Bank Co., Ltd. (興業銀行股份有限公司).

Mr. SUN Haigang holds a bachelor of arts in marketing (advertising) and a master of economics in political economy from Henan University (Henan, China) and a doctor of economics in industrial economics from Shanghai University of Finance and Economics (Shanghai, China). He is a senior economist.

Mr. SUN has served as a vice president of the Bank since February 2018. He is primarily responsible for the operations of the asset and liability management department, the financial department, the information technology department, the channel management department and the innovation management department. Mr. SUN joined the Bank in October 2009 and served as an assistant to the president of the Bank and the general manager of the strategic development department of the Board, and an assistant to the president of the Bank and the president of the Luoyang branch. Prior to joining the Bank, Mr. SUN had worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司).

Mr. FU Chunqiao graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China), majoring in money and banking. He holds a master of law in law from Zhengzhou University (Henan, China). He is an intermediate economist.

Mr. FU has served as a vice president of the Bank since March 2019 and the secretary to the Board of the Bank from October 2013 to August 2021. He is primarily responsible for the operations of the credit approval department, the credit management department, the risk management department, and the risk line support department. Mr. FU joined the Bank in August 1996, and had served as deputy manager and deputy general manager of the planning and asset department, deputy general manager and general manager of the asset operation department, and director of the Office of the Board of Directors of the Bank.

Mr. LI Lei graduated from the Party School of the Central Committee of the Communist Party of China (Beijing, China), majoring in foreign economics, and TEDA College, Nankai University (南開大學泰達學院) (Tianjin, China), majoring in finance. He is an assistant accountant.

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Mr. LI has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the retail business department, the credit card department, the financial department of small business, the retail line risk department, and the retail line support department. Mr. LI joined the Bank in September 1996, and had served as deputy manager of the asset security department and the credit department, deputy general manager of the risk management department, deputy general manager of the credit approval department of the head office, president of the Zidong sub-branch, president of the Baolongcheng sub-branch, and president of the Xinzheng sub-branch, general manager of the corporate business department of the head office, president of the Xinxiang branch and president of the Luoyang branch. Prior to joining the Bank, Mr. LI had worked at Zhengzhou Urban Credit Cooperatives.

Mr. ZHANG Houlin holds a bachelor of economics in accounting from the Zhengzhou Shengda University of Economics, Business & Management (鄭州大學升達經貿學院) (Henan, China), and a master's degree in senior executive business administration from Nankai University (Tianjin, China). He is an accountant.

Mr. ZHANG has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the corporate business department, institutional business department, transaction banking department, investment banking department, public line support department, financial institute and office of the postdoctoral research workstation. Mr. ZHANG joined the Bank in August 1999, and served as president of the Longhai East Road sub-branch, president of the Dengfeng sub-branch and president of the Anyang branch.

Ms. LI Hong graduated from Henan Sports School (河南省體育運動學校) (Henan, China) majoring in physical education, Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) majoring in computer accounting, China Central Radio and Television University (中央廣播電視大學) majoring in law, and Nankai University (Tianjin, China) with a master's degree in senior executive business administration. She is an assistant accountant.

Ms. LI has served as an assistant to the president of the Bank since March 2019 and chairwoman of the labor union of the Bank since May 2021. She is mainly responsible for the affairs of the operation management department, the compliance department, the anti-money laundering and anti-fraud center and the labor union. Ms. LI joined the Bank in August 1996 and had served as president of Xijiancai sub-branch, president of Jinyicheng sub-branch, and president of the Zhongyuan Road sub-branch. Prior to joining the Bank, Ms. LI had served at the Longhai Urban Credit Cooperatives in Zhengzhou.

Mr. LIU Jiuqing graduated from Henan Business College (河南商業高等專科學校) (now merged into Henan University of Animal Husbandry & Economy (河南牧業經濟學院), Henan, China), majoring in public relations and secretarial work, and Nankai University (Tianjin, China), majoring in finance. He is an assistant economist.

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Mr. LIU has served as an assistant to the president of the Bank since March 2019. He is mainly responsible for the operations of asset security department, consumer rights and interests protection department and case management department. Mr. LIU joined the Bank in May 2012 and had served successively as director of the No. 3 market development department, general manager of the trade finance department and director of the No. 3 market development department, and general manager of the trade finance department of the Bank. Prior to joining the Bank, Mr. LIU had served as deputy manager and manager of the corporate department, assistant to the president, and vice president of Huanghe Road sub-branch of Zhengzhou Branch of Guangfa Bank.

Mr. JIANG Tao holds a bachelor of engineering in computer science and application from Zhengzhou University (鄭州大學) (Henan, China) and a master's degree in computer engineering from PLA Information Engineering University (中國人民解放軍信息工程大學) (Henan, China). He is a senior programmer.

Mr. JIANG has served as chief information officer of the Bank since December 2015, general manager of the information technology department (formerly known as the science and technology development department) of the Bank since April 2005 and the director of innovative business of the Bank since March 2020. Mr. JIANG joined the Bank in August 1996, and served as chief of the post-supervision and development department and chief and deputy general manager of the science and technology development department.

Ms. WANG Yanli graduated from Zhongzhou University (中州大學) with a major in household appliances. She holds a master's degree in business administration from Kunming University of Science and Technology (昆明理工大學). She is a senior accountant and a senior economist.

Ms. WANG has served as the chief risk officer of the Bank since February 2018 and the general manager of Zhengzhou management department since April 2021. She is primarily responsible for the operations of Zhengzhou management department. Ms. WANG joined the Bank in August 1996, and had successively served as vice president of the Jinhai Avenue sub-branch, president of the Jinhai Avenue sub-branch, president of the Dashiqiao sub-branch, director of the business department of the head office, general manager of the risk management department, general manager of the credit approval department, chief risk management officer and general manager of the risk management department of the Bank. Prior to joining the Bank, Ms. WANG worked at the North Electric Power Section of Zhengzhou Railway Bureau (鄭州鐵路局北電務段) and Zhengzhou Urban Credit Cooperatives.

Ms. WANG Zhaoqi graduated from Renmin University of China with a major in business administration. She is a senior accountant and a senior auditor.

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Ms. WANG has served as the chief auditor of the Bank since March 2018. She is primarily responsible for internal auditing. Ms. WANG joined the Bank in August 1996 and served as vice general manager of the audit and supervision department, vice general manager (presiding) of the post-supervision department, general manager of the post-supervision department, general manager of the audit department, director of the internal audit office of the Board, general manager of the former accounting and settlement department and general manager of the operations management department. Prior to joining the Bank, Ms. WANG had worked at Zhengzhou Urban Credit Union (鄭州市城市信用聯社) and Zhengzhou Construction Urban Credit Cooperative (鄭州市建設城市信用社).

For further information on the current Directors, Supervisors and senior management, please also refer to the section headed “1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS” of this chapter. For the positions of each Director in each special committee of the Board of the Bank, please also refer to the section headed “5 THE SPECIAL COMMITTEES OF THE BOARD” in the chapter headed “CORPORATE GOVERNANCE” of this Report.

Joint Company Secretaries

Mr. XIA Hua, one of the joint company secretaries of the Bank, was appointed on 27 August 2021. Please see the section headed “Directors” of this chapter for his biography.

Dr. NGAI Wai Fung holds an honours bachelor’s degree in law from University of Wolverhampton (U.K.), a master’s degree in business administration from Andrews University (U.S.), a master’s degree in corporate finance from Hong Kong Polytechnic University, and a doctoral degree in finance from Shanghai University of Finance and Economics. He is a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants in the United Kingdom, and a member of The Chartered Institute of Arbitrators.

Dr. NGAI, one of the joint company secretaries of the Bank, was appointed in February 2022. Dr. NGAI is a director and the group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited.

4.2 Positions of Current Directors, Supervisors and Senior Management Held in Shareholder Units

Name of the Incumbent	Name of Shareholder Unit	Position Held in Shareholder Unit	Term of Office	Remuneration Allowance from Shareholder Unit
LIU Bingheng (劉炳恆)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Director of the financial operation center	Since October 2015	Yes
SU Xiaojun (蘇小軍)	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	Executive director General manager and deputy party secretary	Since April 2018 Since December 2018	Yes
JI Hongjun (姬宏俊)	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Deputy president	Since December 2003	Yes
ZHU Zhihui (朱志暉)	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Chairman	Since December 2005	No

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4.3 Positions of Current Directors, Supervisors and Senior Management Held in Other Units (Excluding Shareholder Units)

Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
WANG Tianyu (王天宇)	Zhongmu Zhengyin County Bank	Chairman	From May 2012 to April 2021	No
XIA Hua (夏華)	Jiuding Financial Leasing Company	Chairman	Since December 2019	No
WANG Dan (王丹)	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	Proposed member of the senior management	Since May 2021	No
WANG Dan (王丹)	Tus S&T Service (Henan) Co., Ltd. (啟迪科技服務(河南)有限公司)	Chairwoman of the board of supervisors	Since August 2020	Yes
SU Xiaojun (蘇小軍)	Bridge (Beijing) Wealth Management Co., Ltd. (百瑞(北京)財富管理有限公司)	Chairman	Since November 2020	No
Ji Hongjun (姬宏俊)	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	Director	Since December 2008	Yes
Ji Hongjun (姬宏俊)	Henan Asset Management Company Limited (河南資產管理有限公司)	Director	Since August 2017	No
WANG Shihao (王世豪)	Shanghai National Accounting Institute	Part-time professor	Since July 2010	No
WANG Shihao (王世豪)	Shanghai Jiao Tong University	Part-time professor of the Overseas Education College	Since January 2011	No
WANG Shihao (王世豪)	Shanghai University of Finance and Economics	Part-time professor of College of Business	Since May 2013	No
WANG Shihao (王世豪)	Bank of Lanzhou Co., Ltd.	Independent director	Since June 2016	Yes
WANG Shihao (王世豪)	Shanghai Shinovation Capital Corporation Co., Ltd. (上海城創投資管理股份有限公司)	Independent director	Since January 2019	Yes
LI Yanyan (李燕燕)	Zhengzhou University	Professor Director and editor-in-chief of the school newspaper editorial department	Since May 2008 Since January 2015	Yes Yes
LI Xiaojian (李小建)	Zhongyuan Bank Co., Ltd.	Supervisor	Since December 2014	Yes
SONG Ke (宋科)	Renmin University of China (中國人民大學)	Council director and deputy director of the International Monetary Institute Lecturer of the Faculty of Monetary Finance of the School of Finance	Since January 2014 Since September 2015	No Yes
SONG Ke (宋科)	Bank of Guizhou Co., Ltd.	Deputy party secretary of School of Finance Independent non-executive director	Since April 2019 Since August 2018	No Yes

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Name of the Incumbent	Name of Other Unit	Position Held in Other Unit	Term of Office	Remuneration Allowance from Other Unit
Ms. Li Shuk Yin Edwina (李淑賢)	China CITIC Bank International Limited	Independent non-executive director	Since September 2018	Yes
Ms. Li Shuk Yin Edwina (李淑賢)	Elite Beam Limited	Director	Since February 2017	No
Ms. Li Shuk Yin Edwina (李淑賢)	Community Business Limited	Director	From April 2021 to December 2021	No
ZHAO Lijuan (趙麗娟)	Xunxian Zhengyin County Bank	Chairman	Since November 2017	No
ZHU Zhihui (朱志暉)	Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司)	Chairman	Since November 2011	No
ZHU Zhihui (朱志暉)	Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司)	Chairman	Since March 2013	Yes
ZHU Zhihui (朱志暉)	Huida Holdings Limited (暉達控股有限公司)	Chairman	Since January 2015	No
MA Baojun (馬寶軍)	Zhaoqing Baoxin Investment Company Limited (肇慶市寶鑫投資有限公司)	Supervisor	Since June 2010	No
MA Baojun (馬寶軍)	Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科技創新基金管理有限公司)	Chairman and general manager	Since December 2016	Yes
MA Baojun (馬寶軍)	Tak Yau Limited	Director	Since June 2017	No
MA Baojun (馬寶軍)	Central China Innovation (Henan) Industrial Research Institute Co., Ltd. (中原創新(河南)產業研究院有限公司)	Director	Since July 2020	No
MA Baojun (馬寶軍)	Deyou (Hainan) Trade Co., Ltd. (德祐(海南)貿易有限公司)	Executive director	Since September 2020	No
MA Baojun (馬寶軍)	Deyou (Hainan) Investment Co., Ltd. (德祐(海南)投資有限公司)	Executive director and general manager	Since February 2021	No
MA Baojun (馬寶軍)	Beijing Muse Financial Service Asset Management Co., Ltd. (北京繆斯金服資產管理有限公司)	Chairman and general manager	Since May 2021	No
MA Baojun (馬寶軍)	Yuanyin Holdings Limited (原銀控股有限公司)	Director	Since December 2021	No
Mr. XU Changsheng (徐長生)	Huazhong University of Science and Technology School of Economics	Lecturer	Since July 1987	Yes
Mr. XU Changsheng (徐長生)	China Foreign Economics Research Association (中華外國經濟學研究會)	Professor	Since September 1997	No
Mr. XU Changsheng (徐長生)	China Foreign Economics Research Association (中華外國經濟學研究會)	Committee member	Since January 1995	No
Mr. XU Changsheng (徐長生)	China Association of Productivity Science (中國生產力學會)	Vice president of the Economy Development Society	Since September 2007	No
Mr. XU Changsheng (徐長生)	China Association of Productivity Science (中國生產力學會)	Director	Since January 1998	No
Mr. XU Changsheng (徐長生)	China Institute of Private Sector (中國民營經濟研究會)	Director	Since January 2014	No
GUO Zhibin (郭志彬)	Xinzheng Zhengyin County Bank	Chairman	From July 2018 to March 2021	No

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

4.4 Penalties Imposed by Securities Regulatory Authorities on Directors, Supervisors and Senior Management Who Currently Hold Positions or Resigned During the Reporting Period in the Past Three Years

The Directors, Supervisors and senior management of the Bank who currently hold positions or resigned during the Reporting Period did not have any punishments by the securities regulatory authorities in the past three years.

5 REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Remuneration Policy

5.1.1 The Decision-making Process

The Bank's general meeting decides on the remuneration of Directors and Supervisors, considers and approves the remuneration measures for Directors and Supervisors, authorizes the Remuneration and Assessment Committee of the Board to formulate the remuneration plan for the relevant Directors and Supervisors, and is responsible for the assessment and implementation. The Board of the Bank determines the remuneration of the senior management personnel, considers and approves the remuneration measures for senior management personnel, authorizes the Remuneration and Assessment Committee of the Board to formulate the remuneration plan of relevant senior management personnel, and is responsible for assessment and implementation.

5.1.2 Determination Basis

According to the guidelines from regulatory authorities, the Administrative Measures on Remuneration and Performance for Directors (《治理層董監事薪酬績效管理辦法》) and Supervisors at Governance Level, the Administrative Measures on Remuneration and Performance for Senior Management at Operation Level (《經營層高管薪酬績效管理辦法》), and Administrative Measures on the Deferred Payment of Performance-based Remuneration (《績效薪酬延期支付管理辦法》), the Bank formulated the remuneration assessment plan for the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on the principles of balance between power and responsibility, combination of incentive with restriction, keeping remuneration in line with risk and responsibilities, and equal emphasis on short-term and long-term objectives. The assessment covers four areas: operating results, risk management, internal control compliance, and duty performance, which reflects protection of the interests of depositors and investors and ensure that the Bank's short-term interest aligns with its long-term interests. The Bank determines the total annual remuneration of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors, other executive Directors, and senior management personnel based on their annual assessment results.

The Bank remunerates non-executive Directors and independent non-executive Directors according to the payment plan for allowances of the non-executive Directors and remuneration of independent non-executive Directors, and remunerates the Shareholder Supervisors and external Supervisors based on the payment plan for allowances of Shareholder Supervisors and remuneration of external Supervisors. The remuneration standard of other Supervisors is implemented in accordance with relevant measures of the Bank. During the Reporting Period, in accordance with the Company Law, the Guidelines on

CHAPTER V DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Corporate Governance of Commercial Banks 《商業銀行公司治理指引》, the Guidelines on the System of Independent Directors and External Supervisors of Joint-Stock Commercial Banks and other relevant provisions 《股份制商業銀行獨立董事和外部監事制度指引》 and with reference to the remuneration of directors and supervisors of city commercial banks of the same size in surrounding cities as well as its actual situation, the Bank adjusted the remuneration standards of non-executive Directors, independent non-executive Directors, Shareholder representative Supervisors and external Supervisors, which have been considered and approved at the 2020 AGM, and will be effective from the date when the relevant Directors and Supervisors of the seventh session of the Board of Directors and Supervisors take office. For details, please refer to the announcements dated 17 May 2021 and 18 June 2021 published on the website of CNINFO and the announcements dated 17 May 2021 and 17 June 2021 and the circular dated 17 May 2021 published on the website of Hong Kong Stock Exchange by the Bank.

5.1.3 Actual Payments

The Bank pays the basic salaries of the chairman of the Board, the vice chairman of the Board, the chairman of the Board of Supervisors and the senior management according to the remuneration management system; and pays the performance salaries according to the annual performance assessment. As the chairman of the Board, the full-time deputy party secretary and the director of discipline inspection and supervision division (assigned by the Municipal Commission for Discipline Inspection and Supervision to the Bank) are municipal government officials, only the basic salary portion are paid to them preliminarily. The actual salary will be calculated after the superior department determines the new salary evaluation plan and standard, and the difference will be paid or refunded as the case may be. Other Directors and Supervisors are paid monthly according to the allowance standards. For information on the Directors, Supervisors and the top five highest-paid individuals of the Bank, please refer to Note 9 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

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5.2 Remuneration for Directors, Supervisors and Senior Management

Unit: RMB'000

Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
WANG Tianyu	Chairman and executive Director	In office	984.00	No
SHEN Xueqing	President and executive Director	In office	1,712.27	No
XIA Hua	Vice chairman, executive Director and secretary to the Board	In office	1,622.42	No
WANG Dan	Non-executive Director	In office	–	Yes
LIU Bingheng	Non-executive Director	In office	–	Yes
SU Xiaojun	Non-executive Director	In office	–	Yes
JI Hongjun	Non-executive Director	In office	3.00	Yes
WANG Shihao	Non-executive Director	In office	182.50	Yes
LI Yanyan	Independent non-executive Director	In office	–	No
LI Xiaojian	Independent non-executive Director	In office	–	Yes
SONG Ke	Independent non-executive Director	In office	–	Yes
LI Shuk Yin Edwina	Independent non-executive Director	In office	–	No
ZHAO Lijuan	Chairwoman of the Board of Supervisors and employee representative Supervisor	In office	1,622.42	No
ZHU Zhihui	Shareholder representative Supervisor	In office	48.00	Yes
MA Baojun	External Supervisor	In office	162.50	Yes
XU Changsheng	External Supervisor	In office	90.00	No
LI Huaibin	Employee representative Supervisor	In office	1,792.12	No
CHEN Xinxiu	Employee representative Supervisor	In office	1,205.49	No
GUO Zhibin	Vice president	In office	1,533.00	No
SUN Haigang	Vice president	In office	1,533.00	No
FU Chunqiao	Vice president	In office	1,533.00	No
	Secretary to the Board of Directors	Resigned		

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Name	Position	Status	Total remuneration from the Bank (before tax) during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
LI Lei	Assistant to president	In office	1,446.50	No
ZHANG Houlin	Assistant to president	In office	1,204.49	No
LI Hong	Assistant to president	In office	1,446.50	No
LIU Jiuqing	Assistant to president	In office	1,446.50	No
JIANG Tao	Chief information officer	In office	1,446.50	No
WANG Yanli	Chief risk officer	In office	1,367.25	No
WANG Zhaoqi	Chief auditor	In office	1,103.23	No
FAN Yutao	Non-executive Director	Resigned	–	Yes
ZHANG Jingguo	Non-executive Director	Resigned	21.00	Yes
LIANG Songwei	Non-executive Director	Resigned	–	Yes
XIE Taifeng	Independent non-executive Director	Resigned	195.00	Yes
WU Ge	Independent non-executive Director	Resigned	195.00	Yes
CHAN Mei Bo Mabel	Independent non-executive Director	Resigned	195.00	Yes
SONG Ke	External Supervisor	Resigned	87.50	Yes
CHENG Jie	Employee representative Supervisor	Resigned	1,172.77	No
ZHANG Wenjian	Vice president	Resigned	510.94	No
Total	–	–	25,861.90	–

5.3 Share Incentives Granted to Directors, Supervisors and Senior Management During the Reporting Period

There is no share option scheme in place for the Bank. During the Reporting Period, the Directors, Supervisors and senior management personnel of the Bank neither held any options nor were granted restricted share units or any forms of share incentives.

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6 STAFF

6.1 Composition

As at the end of the Reporting Period, the following table sets out the composition of employees of the Bank:

	Number
Number of in-service employees of the Bank	5,127
Number of in-service employees of the subsidiaries	399
Total number of in-service employees	5,526
Total number of employees receiving remuneration during the period	5,526
Number of resigned and retired employees with costs borne	1,140

Note: The number of employees excludes dispatched employees.

By department/function

Job category	Number of employees	Percentage
Corporate banking	676	12.23%
Retail banking	1,435	25.97%
Risk management, internal audit and legal compliance	517	9.36%
Finance and accounting	1,461	26.44%
I.T.	287	5.19%
Business management and support	1,150	20.81%
Total	5,526	100.00%

By age

Age group	Number of employees	Percentage
30 or below	1,622	29.35%
31 – 40	2,995	54.20%
41 – 50	625	11.31%
Over 50	284	5.14%
Total	5,526	100.00%

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By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	1,046	18.93%
Bachelor's degree	4,041	73.13%
Associate degree	399	7.22%
Others	40	0.72%
Total	5,526	100.00%

By gender

Gender	Number of employees	Percentage
Male	2,560	46.33%
Female	2,966	53.67%
Total	5,526	100.00%

6.2 Employee Diversity

The Bank attaches importance to employee diversity, treats employees of different gender, party, religion, nationality and race equally, and fully ensures that employees enjoy equal rights in recruitment, post adjustment, training and promotion. We appreciate and encourage differences in the workplace and create a professional, inclusive and diversified working environment. The Bank has a balanced structure of male and female employees, with over one-third of the management being female.

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6.3 Staff Training Plan

According to the annual development strategy, the Bank constantly improves the training system and training management system, promotes the construction of a learning-oriented institution, and highlights the soft power of development, providing strong talent support for long-term development. During the Reporting Period, the Bank focused on promoting ability improvement training for cadre, and improved the overall political literacy, professional ability and management ability of cadres at all levels; sped up the effort to nurture talents of all levels and improved all employees' capability to undertake the duties of their positions; focused on training on new employees hired through on-campus recruitment, the headquarters staff reserves training, and training on corporate account managers and operations, and rotational training on risks; strengthened the construction of internal trainer team, and adopted the way of combining competition and training to develop internal trainer training; carried out intensive training for subsidized vocational skills. During the Reporting Period, the training center of the headquarters successfully obtained the qualification of enterprise training center for subsidized vocational skill upgrading in Henan Province, becoming the only bank training center to obtain such qualification in Henan Province. The Bank will further upgrade and iterate its learning platform, "Ding College (鼎學苑)", optimize various functions, and add special courses.

6.4 Remuneration Policy for Staff

The Bank adheres to the principles of "fairness, competition and incentivization" in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank makes corresponding adjustments for positions whose remunerations are far below the market level based on the results of a market salary survey, and it shall also be able to make our salary more incentivised, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. In accordance with regulatory requirements and business management needs, the Bank has established mechanisms related to deferred payment of salary and recourse and deduction of bonus and salary, so as to improve the salary-based incentive and restraint mechanism and mitigate various business and management risks. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC, and establishes a corporate annuity system and a supplementary medical fund to improve the pension payment and medical security of employees. For details, please refer to Note 32(a) in the chapter headed "Independent Auditor's Report" of this Report.

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6.5 Labor Outsourcing

As at the end of the Reporting Period, the Bank had 349 dispatched employees. The positions assigned to dispatched employees were mainly auxiliary positions such as integrated tellers, lobby managers, voucher scanning personnel, file input personnel and drivers. The Bank's unified management systems on vacation, induction, training, etc., also apply to the dispatched employees. The salaries of the dispatched employees were determined based on their performance assessment results. The Bank assesses the dispatched employees regularly and transfers the dispatched employees to official staff in proportion on merit.

7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

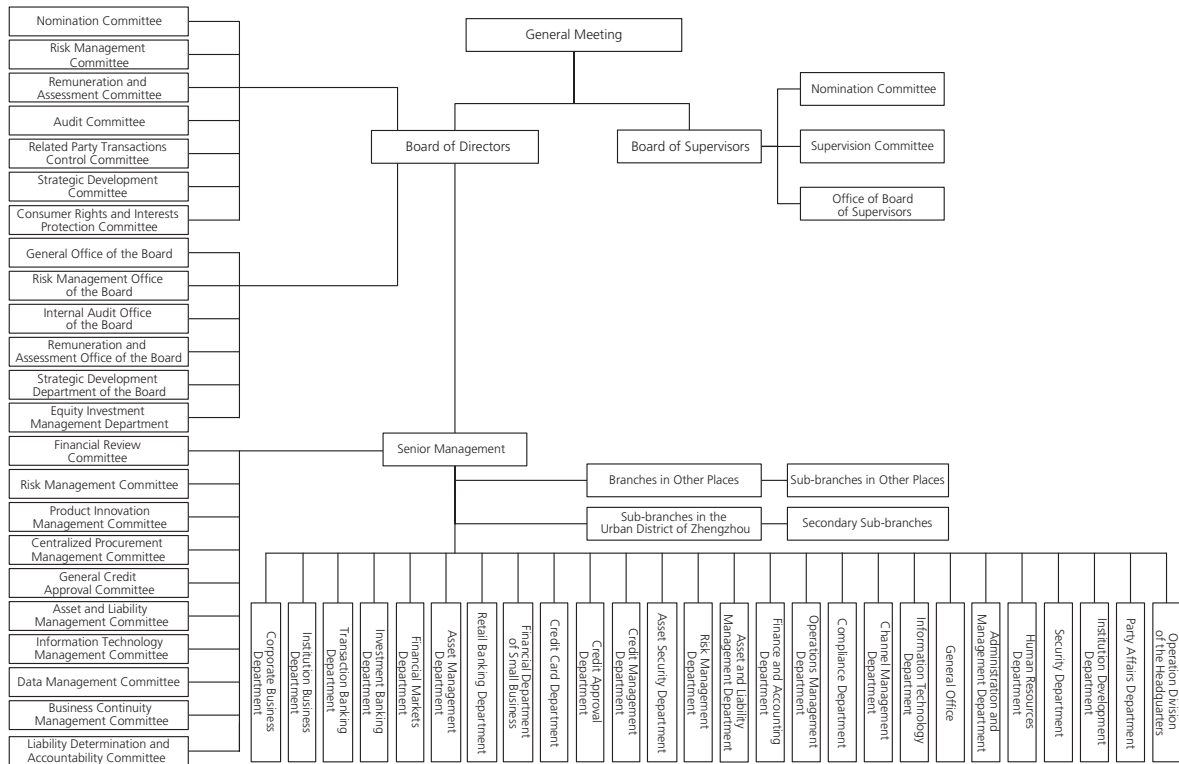
Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	116 branch institutions in district of Zhengzhou for conducting external business and 60 institutions in other prefectural-level cities in Henan for conducting external business	5,127	542,864,230
Zhengzhou, Henan	Branch institutions in Zhengzhou for conducting external businesses directly managed by the headquarters	-	99 institutions for conducting external business	3,612	436,669,744
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	17 institutions for conducting external business	342	7,232,726
Nanyang, Henan	Nanyang branch	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	10 institutions for conducting external business	160	9,524,888
Xinxiang, Henan	Xinxiang branch	No. 278, Xiangyang Road, Xinxiang City, Henan Province	7 institutions for conducting external business	121	7,287,806

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Region	Name of institutions	Business address (China)	Number of its affiliated institutions	Number of employees	Asset size (RMB' 000)
Luoyang, Henan	Luoyang branch	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	7 institutions for conducting external business	126	15,702,520
Anyang, Henan	Anyang branch	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	7 institutions for conducting external business	98	9,426,901
Shangqiu, Henan	Shangqiu branch	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	6 institutions for conducting external business	115	7,181,222
Xuchang, Henan	Xuchang branch	Juncheng International Building (亨通君成國際大廈), the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	4 institutions for conducting external business	83	7,508,534
Luohe, Henan	Luohe branch	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	3 institutions for conducting external business	57	5,223,384
Xinyang, Henan	Xinyang branch	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	5 institutions for conducting external business	89	5,602,657
Puyang, Henan	Puyang branch	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	3 institutions for conducting external business	71	5,570,058
Pingdingshan, Henan	Pingdingshan branch	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	2 institutions for conducting external business	59	7,474,433
Zhumadian, Henan	Zhumadian branch	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	2 institutions for conducting external business	53	4,769,604
Kaifeng, Henan	Kaifeng branch	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	2 institutions for conducting external business	62	5,836,120
Zhoukou, Henan	Zhoukou branch	The southeast of junction of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	1 institution for conducting external business	41	4,682,152
Hebi, Henan	Hebi branch	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	1 institution for conducting external business	38	3,171,481

CHAPTER VI CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to enhance its corporate governance structure, various systems of corporate governance and corporate governance standards in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange, the Hong Kong Listing Rules, and the Corporate Governance Code (as of 1 January 2022, Appendix 14 has been renamed and restructured) together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance and the Company Law and relevant provisions of the CSRC; the Bank did not receive relevant documents on rectifying the administrative supervision measures from the regulatory department within a time limit. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the Hong Kong Listing Rules relating to inside information disclosure. Except as disclosed in this Report and other announcements of the Bank, the Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

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During the Reporting Period, the Bank improved the foundation of corporate governance system and revised the Articles of Association and Rules of Procedure of General Meeting according to the needs of business departments; improved the capability of the Board and the Board of Supervisors to perform their duties; recommended and nominated candidates, convened Board meetings, meetings of the Board of Supervisors, and shareholders meetings for session change and elections, and adjusted the composition of the special committees of the Board and the Board of Supervisors, in accordance with relevant laws and regulations; broadened supplement channels of external capital, innovated the use of capital supplement tools, and successfully issued RMB10 billion of capital bonds of non-fixed terms. Independent non-executive Directors and external Supervisors actively conducted business surveys and earnestly expressed independent opinions. In doing so, the expertise and supervisory role of external experts were put into play. The Bank discloses information in a true, accurate, complete and timely manner in accordance with laws, regulations, the Articles of Association and the Bank's information disclosure measures, and ensures that all Shareholders have equal access to such information. The Bank attaches great importance to the management of inside information, strictly controls the scope of personnel having access to inside information, and registers the list of personnel knowing the Bank's inside information in a timely manner. No person with knowledge of inside information has been found to illegally use inside information to trade in the Bank's Shares.

The Bank will continue to review and strengthen corporate governance in order to ensure consistent compliance with the regulatory provisions and the SZSE Listing Rules and the Hong Kong Listing Rules and meet the higher expectations of Shareholders and investors.

The Bank's Independence from Shareholders Holding More Than 5% of the Bank's Shares in Terms of Operations, Staff, Assets, Institutional Structure and Finance

During the Reporting Period, the Bank did not have any controlling Shareholder.

- (I) Operations: The Bank operates independently from Shareholders holding more than 5% of the Bank's Shares.
- (II) Staff: The Bank operates independently in terms of staff and salary management.
- (III) Assets: The Bank has independent places of business and supporting facilities.
- (IV) Structure: The Bank has a sound institutional structure through which the Board, the Board of Supervisors and various functional departments operate independently with clear powers and functions and have no subordinate relations with the functional departments of corporate Shareholders holding more than 5% of the Bank's Shares.
- (V) Finance: The Bank sets up the independent finance department and audit department equipped with special financial and audit personnel, and established an independent accounting system and financial management system.

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Horizontal Competition

The Bank does not have controlling Shareholders or horizontal competition with controlling Shareholders, the de facto controllers and other companies controlled by them.

3 GENERAL MEETINGS

Number, session and type	Investor participation ratio	Date of convening	Disclosure date	Resolution of the meeting
2020 AGM	54.03%	17 June 2021	18 June 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			17 June 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2021 first class meeting of the A Shareholders	68.01%	17 June 2021	18 June 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			17 June 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2021 first class meeting of the H Shareholders	18.79%	17 June 2021	18 June 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			17 June 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2021 first extraordinary general meeting	48.77%	3 December 2021	4 December 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			3 December 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2021 second class meeting of the A Shareholders	58.73%	3 December 2021	4 December 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			3 December 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
2021 second class meeting of the H Shareholders	23.74%	3 December 2021	4 December 2021	Please refer to the announcement published on the website of CNINFO by the Bank
			3 December 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank

CHAPTER VI CORPORATE GOVERNANCE

During the Reporting Period, the Bank held 1 annual general meeting, 1 extraordinary general meeting, 2 class meetings of the A Shareholders, and 2 class meetings of the H Shareholders, the particulars of which are as follows:

On 17 June 2021, the Bank held the 2020 AGM in Zhengzhou, Henan. In the meeting, 19 resolutions regarding the Work Report of the Board for 2020, the Work Report of the Board of Supervisors for 2020, Financial Accounts for 2020, Financial Budget for 2021, Re-appointment of Auditor, Estimated Limit for Daily Related Party Transactions for 2021, Profit Distribution and Capitalization Issue Plan for 2020 were considered and approved.

On 17 June 2021, the Bank held the 2021 first class meeting of the A Shareholders in Zhengzhou, Henan. In the meeting, 1 resolution regarding the Profit Distribution and Capitalization Issue Plan for 2020 was considered and approved.

On 17 June 2021, the Bank held the 2021 first class meeting of the H Shareholders in Zhengzhou, Henan. In the meeting, 1 resolution regarding the Profit Distribution and Capitalization Issue Plan for 2020 was considered but rejected.

On 3 December 2021, the Bank held the 2021 first extraordinary general meeting in Zhengzhou, Henan. In the meeting, 2 resolutions regarding the Profit Distribution and Capitalization Issue Plan for 2020 and the Amendment of the Authorization Plan of General Meetings were considered and approved.

On 3 December 2021, the Bank held the 2021 second class meeting of the A Shareholders in Zhengzhou, Henan. In the meeting, 1 resolution regarding the Profit Distribution and Capitalization Issue Plan for 2020 was considered and approved.

On 3 December 2021, the Bank held the 2021 second class meeting of the H Shareholders in Zhengzhou, Henan. In the meeting, 1 resolution regarding the Profit Distribution and Capitalization Issue Plan for 2020 was considered and approved.

The convening of the above general meetings, the notices, the holding and voting procedures were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of preference shares whose voting rights were resumed requested to convene extraordinary general meetings, convened and presided over the general meetings, or submitted provisional proposals for general meetings.

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4 BOARD OF DIRECTORS

4.1 Responsibilities of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is accountable to the general meeting and responsible for implementing the resolutions of the general meeting. The Board of Directors mainly exercises the following powers and rights: convening general meetings and implementing the resolutions approved at general meetings; deciding on the business development strategies, business plans and investment proposals of the Bank; formulating annual budgets, final accounts, profit distribution plans and loss recovery plans of the Bank; formulating proposals on the increase or reduction of the Bank's registered capital and the issue of bonds and other securities and the listing of the Bank; formulating proposals on material acquisitions by the Bank, repurchase of the Shares or merger, division, dissolution or change of the corporate form; deciding on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authority granted by the general meetings; examining and approving the related party transactions which require approval by the Board of Directors as stipulated by the laws, administrative regulations, departmental rules, regulatory documents and regulations of securities regulatory authorities of the locality where the Bank's stocks are listed; deciding on the establishment of the Bank's internal management departments; appointing or removing the Bank's president and secretary to the Board of Directors, deciding to appoint or removing the Bank's senior management personnel including the vice presidents, assistants to the president and chief financial officer of the Bank in accordance with the recommendations of the president, and determining their remunerations, rewards and punishment; formulating the basic management systems of the Bank, deciding on the policies on risk management, internal control and compliance policy of the Bank; formulating amendment proposals on amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings; proposing the appointment, dismissal or discontinuance of appointment of accounting firms at the general meeting; supervising the performance of the senior management, receiving the president's work report and examining the president's work; managing the information disclosure of the Bank and taking ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems; reviewing any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management set by the Board of Directors; and other powers and rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association, and those conferred by the general meetings.

As the administrative body of the Board of Directors, the office of the Board is responsible for the preparation of general meetings and the meetings of the Board of Directors and special committees of the Board of Directors, information disclosure, investor relations management and other daily affairs.

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4.2 Operating Model of the Board of Directors

The Board of Directors holds at least 4 regular meetings a year, and convenes extraordinary meetings when necessary. Meetings of the Board of Directors are held in the form of physical meetings or by way of telecommunication. The notices of regular Board meetings and the materials of the meeting should be sent to each Director within the specified period in accordance with the related corporate governance requirements under the regulatory provisions and the SZSE Listing Rules and the Hong Kong Listing Rules and the Articles of Association. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review subsequent to the meetings, and shall be signed by all Directors for confirmation after proposing amendments. A good communication and reporting mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management provides sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional advice with the cost borne by the Bank. The president of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations or answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion. Directors with material interest or conflict in relevant proposals must refrain from voting.

4.3 Members of the Board and the Board Diversity Policy

The Bank believes that the diversity of the members of the Board of Directors can improve the performance of the Bank. In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, qualifications, regional and industry experience, skills, knowledge and educational background. All Board appointments will be determined based on both capability and integrity, and candidates will be considered against objective criteria, with due regard given to the benefits of diversity to the Board.

The Nomination Committee of the Board will review and assess this policy as and when appropriate, and consider the structuring, size and composition of the Board on an annual basis as well as set the following measurable goals, to ensure the effective implementation of this policy:

The Board should ensure that there is no gender limitation in selecting Directors;

At least one-third, and no less than 3 in total, of the Board members are independent non-executive Directors;

Board members should possess knowledge and skills in different areas.

At least 1 member of the Board is a professional in finance or accounting.

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The Nomination Committee of the Board of Directors will discuss any amendments or amendments that may need to be made, and then submit these proposed amendments to the Board of Directors for approval. The selection of candidates for Directors by the Nomination Committee will be based on a series of diverse fields and with reference to the Bank's business model and specific needs. For the nomination policy as well as procedures for selection of Directors, please refer to the paragraph headed "Nomination Policy and Procedures for Selection of Directors" in this chapter.

During the Reporting Period, the term of the sixth session of the Board of the Bank expired. After due consideration of the diversity policy on the Board of the Bank and the potential contribution of relevant candidates to the qualifications, skills, experience, independence and gender diversity of the Board, the Bank extensively sought for qualified candidates, elected the Directors of the seventh session of the Board, and increased the proportion of female Directors in the Board.

As at the Latest Practicable Date, the Board comprised a total of 12 Directors, of which 3 were executive Directors, namely Mr. WANG Tianyu (chairman), Mr. SHEN Xueqing (president) and Mr. XIA Hua (vice chairman); 5 were non-executive Directors, namely Ms. WANG Dan, Mr. LIU Bingheng, Mr. SU Xiaojun, Mr. JI Hongjun and Mr. WANG Shihao; and 4 were independent non-executive Directors, namely Ms. LI Yanyan, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina, including:

9 males and 3 females;

3 Directors aged under 50, 7 Directors aged 50 to 59, and 2 Directors aged 60 or above; and

4 Directors specialising in banking, 4 Directors specialising in investment and trust fund, 3 Directors specialising in teaching and research, 1 Director specialising in accounting.

Accordingly, the Board considers its members have generally achieved diversity in different aspects.

For details of each Director's term of office and changes of Directors during and after the Reporting Period, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

4.4 Chairman and President

The roles and duties of the chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of regulatory provisions and the SZSE Listing Rules and the Hong Kong Listing Rules.

Mr. WANG Tianyu, as the chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board of Directors; signing share certificates, bonds and other marketable securities of the Bank; signing important documents of the Board of Directors and other documents required to be signed by the legal representative of the Bank; and exercising the duties and powers of the legal representative.

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Mr. SHEN Xueqing, as the president of the Bank, is mainly in charge of managing operations of the Bank, arranging the implementation of the resolutions of the meetings of the Board of Directors and reporting the work to the Board of Directors; submitting annual business plans and investment proposals to the Board of Directors and arranging the implementation upon approval by the Board of Directors; and drafting proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank.

4.5 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as specified and required by relevant laws and regulations and the Articles of Association, exercised their rights regarding the operation of the Board and resolutions of the meeting of the Board, and duly considered and voted on its resolutions and actively offered responsible suggestions and advice, which facilitated the Bank's sound and sustainable development and perfectly completed the tasks and objectives of the Board. While duly exercising their rights as Directors, they were performing their corresponding obligations to fully protect various rights of Shareholders and investors. Directors acknowledge their responsibilities for preparing the financial statements of the Bank for the year ended 31 December 2021.

The Board of Supervisors conducted evaluation of the performance of duties of the Directors during the Reporting Period, and reported the results of the evaluation to the general meeting.

4.6 Independence and Performance of Duties of Independent Non-executive Directors

4.6.1 Confirmation of the Independence for Independent Non-executive Directors

At present, the Board consists of 4 independent non-executive Directors and the qualification, number and percentage of independent non-executive Directors satisfy the relevant requirements of the regulatory provisions and the SZSE Listing Rules and the Hong Kong Listing Rules. None of the independent non-executive Directors are involved in any conflict which would bring their independence into question as described in Rule 3.13 of the Hong Kong Listing Rules. The Bank had already received the letters of confirmation on independence submitted by each independent non-executive Director as required by the Hong Kong Listing Rules, and believes that all independent non-executive Directors are independent and in compliance with relevant guidelines stipulated by Rule 3.13 of the Hong Kong Listing Rules.

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The independent non-executive Directors neither have any business or financial interests in the Bank nor hold any management position in the Bank. All the incumbent independent non-executive Directors were elected for a term of three years. They may continue to serve for three years after the expiration of the term, provided that the total consecutive terms must not exceed six years.

The independent non-executive Directors account for the majority of seats in and serve as chairman of the Related Party Transactions Control Committee, Audit Committee, Nomination Committee and Remuneration and Assessment Committee of the Board.

4.6.2 Performance of Duties of Independent Non-executive Directors

During the Reporting Period, the Bank's independent non-executive Directors performed their duties diligently and faithfully with a responsible attitude towards the Bank and investors, and the duties performed were in strict accordance with the Company Law, the Securities Law, the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange, the SZSE Listing Rules, the Hong Kong Listing Rules and other laws and regulations as well as the Articles of Association, the Work Rules for Independent Directors and other relevant requirements. They actively attended Board meetings, general meetings and meetings of relevant committees, conducted on-site inspections of the Bank to learn about the Bank's operations, internal control mechanism and the implementation of resolutions of the Board meetings, and expressed independent opinions on the profit distribution and the Capitalization Issue, internal control, appointment of external audit agency, session expiration and election of the Board and other matters of the Bank, earnestly safeguarding the rights and interests of Shareholders, especially those of the public Shareholders.

During the Reporting Period, the Bank's independent non-executive Directors expressed independent opinions on relevant issues considered by the Board. During Board meetings and inspections of the Bank, they put forward an array of opinions and suggestions, all of which were adopted or responded to by the Bank.

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Time of disclosure	Subject matter	Type of opinion
31 March 2021	Independent Opinions on 2020 Profit Distribution and Capitalization Issue Plan of the Bank, Special Report on the Deposit and Actual Use of Proceeds Raised in 2020, 2020 Internal Control Self-assessment Report, the Special Report on Related Party Transactions in 2020, the Estimated Amount of Daily Related Party Transactions in 2021, the Appointment of External Auditor in 2021, Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties, Remuneration for Directors, Supervisors and Senior Management, and Derivatives Investment and Risk Control	Agree
17 May 2021	Independent Opinions on the Session Expiration and Election of the Board, 2020 Performance Appraisal Results of Executive Directors and Senior Management Personnel, Amendment to Compensation and Performance Management Measures for Directors and Supervisors of the Governance Level, Amendment to Compensation and Performance Management Measures for Senior Managers of the Operation Level, Adjustment of the Remuneration Standards for Non-executive Directors and Independent Non-executive Directors of the Board	Agree
29 July 2021	Independent Opinions on Maintaining the Stability of the Share Price of A Shares	Agree
30 August 2021	Independent Opinions on External Guarantees of the Bank and the Occupation of Funds by Controlling Shareholders and Other Related Parties, the Distribution of Offshore Preference Shares Dividends, Appointment of the Secretary to the Board, 2021 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel, and Engagement of External Audit Firm for 2022	Agree
17 September 2021	Independent Opinions on 2020 Profit Distribution and Capitalization Issue Plan	Agree

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4.7 Performance of Duties by Directors

4.7.1 Meetings Convened by the Board

During the Reporting Period, the Bank held 11 meetings of the Board, in which, 71 major resolutions including the Annual Work Report of the Board, Final Accounts Report, Profit Distribution and Capitalization Issue Plan, Amendments to the Articles of Association, and the Session Expiration and Election of the Board, and Nomination of Candidates for the Seventh Session of the Board were considered and approved.

Number and session	Date of convening	Date of disclosure	Resolutions of the meeting
The twelfth meeting of the sixth session of the Board	30 March 2021	31 March 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2021 first extraordinary meeting of the sixth session of the Board	28 April 2021	29 April 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The thirteenth meeting of the sixth session of the Board	15 May 2021	17 May 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2021 second extraordinary meeting of the sixth session of the Board	15 June 2021	16 June 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The first meeting of the seventh session of the Board	17 June 2021	18 June 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2021 first extraordinary meeting of the seventh session of the Board	28 July 2021	29 July 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The second meeting of the seventh session of the Board	27 August 2021	30 August 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2021 second extraordinary meeting of the seventh session of the Board	16 September 2021	17 September 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The 2021 third extraordinary meeting of the seventh session of the Board	26 October 2021	27 October 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank
The third meeting of the seventh session of the Board	29 October 2021	30 October 2021	Please refer to the announcement published on the website of CNINFO by the Bank
		1 November 2021	Please refer to the announcement published on the website of Hong Kong Stock Exchange by the Bank
The 2021 fourth extraordinary meeting of the seventh session of the Board	23 December 2021	24 December 2021	Please refer to the announcements published on the websites of CNINFO and Hong Kong Stock Exchange by the Bank

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4.7.2 Directors' Attendance of Meetings

Director		Attendance of general meetings	Required attendance for Board meetings	Attendance in person	Attendance by telecommunication	Number of attendance by proxy	Times of absence	Failure to attend meetings in person for 2 consecutive times
Executive Directors	WANG Tianyu	3	11	7	4	-	-	No
	SHEN Xueqing	6	11	7	4	-	-	No
	XIA Hua	6	11	7	4	-	-	No
Non-executive Directors	WANG Dan	3	1	1	-	-	-	No
	LIU Bingheng	3	1	-	1	-	-	No
	SU Xiaojun	3	1	-	1	-	-	No
	JI Hongjun	6	11	7	4	-	-	No
	WANG Shihao	-	11	2	9	-	-	No
	FAN Yutao	3	4	1	3	-	-	No
	ZHANG Jingguo	-	4	-	4	-	-	No
	LIANG Songwei	-	4	2	2	-	-	No
Independent Non-executive Directors	LI Yanyan	6	11	7	4	-	-	No
	LI Xiaojian	-	1	1	-	-	-	No
	SONG Ke	-	-	-	-	-	-	-
	LI Shuk Yin Edwina	-	1	-	1	-	-	No
	XIE Taifeng	-	10	2	8	-	-	No
	CHAN Mei Bo Mabel	3	10	-	10	-	-	No
	WU Ge	-	11	2	9	-	-	No

Notes:

- The seventh session of the Board were elected at the 2020 AGM in June 2021. Mr. FAN Yutao, Mr. ZHANG Jingguo and Mr. LIANG Songwei no longer served as Directors. They should attend 4 Board meetings during the Reporting Period.
- 3 independent non-executive Directors who were elected at the 2020 AGM, including Mr. LI Xiaojian, Ms. LI Shuk Yin Edwina and Mr. SONG Ke, need to obtain qualification from the regulatory authorities before performing their duties. In order to meet the provisions on the proportion of independent directors and ensure the normal operation of the Board, Mr. XIE Taifeng and Ms. CHAN Mei Bo Mabel continued to perform their duties until the Director qualification of Mr. LI Xiaojian and Ms. LI Shuk Yin Edwina were approved. During the Reporting Period, they should attend 10 Board meetings. Mr. WU Ge continued to perform his duties until the Director qualification of Mr. SONG Ke was approved. During the Report Period, he should attend 11 Board meetings.

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3. In November 2021, Ms. WANG Dan, Mr. LIU Bingheng and Mr. SU Xiaojun obtained their Director qualification and began to perform their duties. In December 2021, Mr. LI Xiaojian and Ms. LI Shuk Yin Edwina obtained their Director qualification and began to perform their duties. During the Report Period, the above-mentioned persons should attend 1 Board meeting. In January 2022, the Director qualification of Mr. SONG Ke was approved and he began to perform his duties. Therefore, there were no Board meetings which he was required to attend during the Reporting Period.

During the Reporting Period, the chairman of the Board and independent non-executive Directors held meetings without the presence of other Directors.

4.7.3 Circumstances in Which Directors Raise Objections to Relevant Matters

During the Reporting Period, the Directors raised no objections to relevant matters of the Bank.

4.7.4 Other Explanations of Directors Performing Their Duties

During the Reporting Period, the directors' recommendations to the Bank were all accepted.

5 THE SPECIAL COMMITTEES OF THE BOARD

5.1 Strategic Development Committee

The Strategic Development Committee of the Bank currently consists of 3 executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua). The chairman of Strategic Development Committee is Mr. WANG Tianyu, an executive Director.

The Strategic Development Committee is mainly responsible for researching the Bank's long-term development strategy and significant investment decisions, setting business and management objectives and long-term development strategy for the Bank, making recommendations for the Bank's significant investment decisions, supervising and checking the implementation of annual business plans and investment plans, communicating regularly with the senior management and heads of departments in relation to the operations and risks of the Bank, providing advice and suggestions, and other matters under the authority granted by the Board.

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Convening of Meetings

During the Reporting Period, the Strategic Development Committee of the Bank held 3 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The eighth meeting of the Strategic Development Committee of the sixth session of the Board	19 March 2021	Considered and approved the Proposal on the Acquisition of Shares of Zhongmu Zhengyin County Bank Co., Ltd., and the Report on the Capital Increase and Share Expansion of Xinzheng Zhengyin County Bank Co., Ltd.	-	-	-
The ninth meeting of the Strategic Development Committee of the sixth session of the Board	19 April 2021	Considered and approved the 2020 Annual Work Report of the Strategic Development Committee of the Board	-	-	-
The first meeting of the Strategic Development Committee of the seventh session of the Board	30 December 2021	Considered and approved the Resolution on the Election of Board Chairman Wang Tianyu as Chairman of the Strategic Development Committee	-	-	-

Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
WANG Tianyu	3	3
SHEN Xueqing	3	3
XIA Hua	3	3

5.2 Risk Management Committee

The Risk Management Committee of the Bank consists of 2 non-executive Directors, Mr. WANG Shihao and Mr. JI Hongjun, and 1 independent non-executive Director, Ms. LI Yanyan. The chairman of Risk Management Committee is Mr. WANG Shihao, a non-executive Director.

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The Risk Management Committee is mainly responsible for controlling, managing, monitoring and assessing risks of the Bank, reviewing risk control principles, objectives and policies of the Bank and reporting them to the Board of Directors for consideration and approval, reviewing risk management measures of the Bank, examining and supervising the risk management work carried out by the senior management in all aspects, conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis and reporting to the Board of Directors, providing recommendations on improving risk management and internal control of the Bank, and formulating authorization management plan for the Bank and reporting to the Board of Directors and general meetings for consideration and approval.

Convening of Meetings

During the Reporting Period, the Risk Management Committee of the Bank held 8 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The fourteenth meeting of the Risk Management Committee of the sixth session of the Board	23 March 2021	Considered and approved the Amendment to the Authorization Proposal of the Board, 2020 Annual Report on the Implementation of Risk Preference, 2021 Annual Statement on Risk Preference, 2020 Annual Work Report of the Risk Management Committee of the Board, 2020 Annual Report on Case Prevention, 2020 Annual Report on Compliance Management, 2020 Annual Report on Overall Risk Management, 2020 Annual Risk Assessment Report, 2020 Self-assessment Report on Money-laundering and Terrorist Financing Risk, 2020 Annual Report of Anti-money Laundering	-	-	-
The fifteenth meeting of the Risk Management Committee of the sixth session of the Board	17 May 2021	Considered and approved the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets	-	-	-
The sixteenth meeting of the Risk Management Committee of the sixth session of the Board	16 June 2021	Considered and approved the Report on the Implementation of Risk Preferences in the First Quarter of 2021, and the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets	-	-	-

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Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The first meeting of the Risk Management Committee of the seventh session of the Board	24 August 2021	Considered and approved the Report on the Implementation of Risk Preferences in the First Half of 2021, the Comprehensive Risk Management Report for the First Half of 2021	-	-	-
The second meeting of the Risk Management Committee of the seventh session of the Board	15 September 2021	Considered and approved the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets	-	-	-
The third meeting of the Risk Management Committee of the seventh session of the Board	27 October 2021	Considered and approved the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets	-	-	-
The fourth meeting of the Risk Management Committee of the seventh session of the Board	9 December 2021	Considered and approved the Report on the Implementation of Risk Preferences in the Third Quarter of 2021, the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets of 16 Corporate Customers, the Resolution on Reviewing the Wholesale Transfer of Non-performing Assets of 4 Corporate Customers	-	-	-
The fifth meeting of the Risk Management Committee of the seventh session of the Board	29 December 2021	Considered and approved the Resolution on the Election of Wang Shihao as Chairman of the Risk Management Committee of the seventh session of the Board, the Resolution on Cancelling the Non-public Issuance of Corporate Bonds for Investment Business of Yunnan Lucky Air Co., Ltd. (雲南祥鵬航空有限責任公司), the Resolution on Cancelling Designated Asset Management Plan for Investment Business of Henan Hualing Super Hard Material Co., Ltd. (河南華晶超硬材料股份有限公司), and the Resolution on Cancelling the Non-performing Loans of Henan Tianying Group Co., Ltd. (河南天鷹集團股份有限公司)	-	-	-

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Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
JI Hongjun	5	5
WANG Shihao	8	8
LI Yanyan	1	1
LIANG Songwei	3	3
XIE Taifeng	7	7

Notes:

- On 17 June 2021, Mr. LIANG Songwei no longer served as the Director of the Bank or held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 3 meetings of the Risk Management Committee of the Board; Mr. JI Hongjun was appointed as a member of the Risk Management Committee of the Board and should attend 5 meetings during the Reporting Period.
- On 23 December 2021, Mr. XIE Taifeng no longer served as the Director of the Bank and held relevant positions in the special committees of the Board. During the Reporting Period, he should attend 7 meetings of the Risk Management Committee of the Board.
- On 23 December 2021, Ms. LI Yanyan was appointed as a member of the Risk Management Committee of the Board and should attend 1 meeting of the Risk Management Committee of the Board during the Reporting Period.

5.3 Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank consists of 1 non-executive Director (Mr. SU Xiaojun) and 2 independent non-executive Directors (Ms. LI Yanyan and Mr. SONG Ke). The chairman of Related Party Transactions Control Committee is Mr. SONG Ke, an independent non-executive Director.

The Related Party Transactions Control Committee is mainly responsible for the management, review and matters, as approved by the Board of Directors, of related party transactions, and controlling the risk of related party transactions, formulating rules and management framework relating to related party transactions of the Bank, reviewing related parties of the Bank and reporting them to the Board of Directors and the Board of Supervisors and announcing identified related parties to relevant staff of the Bank timely, reviewing and supervising the control of related party transactions of the Bank, reviewing significant related party transactions and subsequently submitting the same to the Board of Directors for approval.

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Convening of Meetings

During the Reporting Period, the Related Party Transactions Control Committee of the Bank held 2 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The sixteenth meeting of the Related Party Transactions Control Committee of the sixth session of the Board	23 March 2021	Considered and approved 2020 Annual Work Report of Related Party Transactions Control Committee of the Board, the Specific Report on 2020 Related Party Transactions, and the Resolution on the Estimated Amount for Daily Related Party Transactions in 2021	-	-	-
The first meeting of the Related Party Transactions Control Committee of the seventh session of the Board	24 August 2021	Considered and approved the Resolution on Reviewing the List of Related Parties, and the Report on Related Party Transactions in the First Half of 2021	-	-	-

Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
SU Xiaojun	-	-
SONG Ke	-	-
LI Yanyan	2	2
JI Hongjun	1	1
LIANG Songwei	1	1
WU Ge	2	2

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Notes:

1. On 17 June 2021, Mr. LIANG Songwei no longer served as a Director of the Bank or held relevant positions in the special committee of the Board. During the Reporting Period, he should attend 1 meeting of the Related Party Transactions Control Committee of the Board; Mr. JI Hongjun was appointed as a member of the Related Party Transactions Control Committee of the Board and should attend 1 meeting during the Reporting Period.
2. On 23 December 2021, Mr. SU Xiaojun was appointed as a member of the Related Party Transactions Control Committee of the Board.
3. On 19 January 2022, Mr. SONG Ke was appointed as a member of the Related Party Transactions Control Committee of the Board. Mr. WU Ge no longer served as a Director of the Bank or held relevant positions in the special committee of the Board. On 17 February 2022, Mr. SONG Ke was appointed as the chairman of the Related Party Transactions Control Committee of the Board.

5.4 Audit Committee

The Audit Committee of the Bank consists of 1 non-executive Director (Mr. LIU Bingheng) and 2 independent non-executive Directors (Ms. LI Shuk Yin Edwina and Mr. LI Xiaojian). The chairman of the Audit Committee is Ms. LI Shuk Yin Edwina, an independent non-executive Director.

The Audit Committee is mainly responsible for reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management system, financial reporting procedures and financial position of the Bank, auditing the financial information of the Bank, preparing a report on audited financial statements and submitting it to the Board for consideration; making recommendations on the appointment and change of external audit institution, coordinating the communications between internal audit departments and external auditors; taking charge of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations, reviewing, evaluating and reporting to the Board of Directors on the internal audit on a regular basis.

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Convening of Meetings

During the Reporting Period, the Audit Committee of the Bank held 6 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The nineteenth meeting of the sixth session of the Audit Committee	24 March 2021	Considered and approved 2020 Annual Financial Statements (International Standards, Domestic Standards), 2020 Annual Report (A Shares and H Shares), Internal Control Audit Report, Special Description on the Occupation of Non-operating Capital and Other Related Capital in 2020, Special Report on the Deposit and Actual Use of Proceeds Raised in 2020, Audit Report on the Deposit and Use of Proceeds Raised in 2020, Judgment Report on Information Quality of 2020 Annual Financial Statements, 2020 Internal Control and Self-evaluation Report, 2020 Internal Audit Work Report, 2020 Internal Audit Work Quality and Self-evaluation Report, 2020 Work Report of the Audit Committee of the Board, Engagement of External Audit Institution for 2021	-	-	-
The twentieth meeting of the sixth session of the Audit Committee	22 April 2021	Considered and approved the Financial Statements for the Three Months Ended 31 March 2021 (Domestic Standards, International Standards), the First Quarterly Report of 2021 (A Shares, H Shares), and the Internal Audit Work Report for the First Quarter of 2021	-	-	-
The twenty-first meeting of the sixth session of the Audit Committee	3 June 2021	Considered and approved the Resolution on Selection and Engagement of External Audit Institutions from 2022 to 2023	-	-	-

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Name of meeting	Date of convening	Content of meeting	Important comments and suggestions	Other performance of duties	Details of objections
The first meeting of the seventh session of the Audit Committee	18 August 2021	Considered and approved 2021 Interim Financial Statements (Domestic Standards, International Standards), 2021 Interim Report (A Shares, H Shares), Judgment Report on Information Quality of Financial Statements, Internal Audit Work Report for the First Half of 2021, and the Engagement of External Audit Institution in 2022	-	-	-
The second meeting of the seventh session of the Audit Committee	22 October 2021	Considered and approved the Financial Statements for the Third Quarter of 2021 (Domestic Standards, International Standards), the Third Quarterly Report of 2021 (A Shares, H Shares), and the Internal Audit Work Report for the Third Quarter of 2021	-	-	-
The third meeting of the seventh session of the Audit Committee	29 December 2021	Considered and approved the Resolution on the Election of Chairman of the seventh session of the Audit Committee	-	-	-

Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
LIU Bingheng	1	1
LI Xiaojian	1	1
LI Shuk Yin Edwina	1	1
JI Hongjun	5	5
XIE Taifeng	5	5
CHAN Mei Bo Mabel	5	5

Note: On 23 December 2021, Mr. LIU Bingheng, Mr. LI Xiaojian and Ms. LI Shuk Yin Edwina were appointed as members of the Audit Committee of the Board; they should attend 1 meeting of the Audit Committee of the Board during the Reporting Period. Mr. JI Hongjun, Mr. XIE Taifeng and Ms. CHAN Mei Bo Mabel no longer held relevant positions in the Audit Committee of the Board, they should attend 5 meetings during the Reporting Period.

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5.5 Nomination Committee

The Nomination Committee of the Bank consists of 1 non-executive Director and 2 independent non-executive Directors. The non-executive Director is Ms. WANG Dan, and the 2 independent non-executive Directors are Mr. LI Xiaojian and Mr. SONG Ke. The chairman of the Nomination Committee is Mr. LI Xiaojian, an independent non-executive Director.

The Nomination Committee is responsible for reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board and the management every year, and advising the Board on proposed changes to the Board based on the strategy of the Bank; developing the criteria and procedures for selecting Directors and senior management personnel, and formulating or revising the Board diversity policy; searching for qualified candidates for Directors and submitting nominations to the Board; assessing the independence of independent non-executive Directors; conducting preliminary review of the qualifications of candidates for directors and senior management personnel, and making recommendations to the Board; and widely searching for qualified candidates for directors and senior management.

Convening of Meetings

During the Reporting Period, the Nomination Committee of the Bank held 5 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestion	Other performance of duties	Details of objections
The eleventh meeting of the Nomination Committee of the sixth session of the Board	1 March 2021	Considered and approved the 2020 Work Report of the Nomination Committee of the Board	-	-	-
The twelfth meeting of the Nomination Committee of the sixth session of the Board	8 May 2021	Considered and approved the Resolution on the Change of Session of the Board and the Nomination of Candidates for Directors of the Seventh Session of the Board	-	-	-
The thirteenth meeting of the Nomination Committee of the sixth session of the Board	11 June 2021	Considered and approved the Resolution on the Nomination of Chairman and Vice Chairman of the Seventh Session of the Board	-	-	-
The first meeting of the Nomination Committee of the seventh session of the Board	13 August 2021	Considered and approved the Resolution on the Nomination of Mr. XIA Hua as Secretary to the Board	-	-	-
The second meeting of the Nomination Committee of the seventh session of the Board	30 December 2021	Considered and approved the Resolution on the Election of Chairman of the Nomination Committee of the Seventh Session of the Board	-	-	-

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Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
WANG Dan	1	1
LI Xiaojian	1	1
SONG Ke	–	–
FAN Yutao	3	3
WANG Shihao	1	1
XIE Taifeng	4	4
WU Ge	5	5

Notes:

- On 17 June 2021, Mr. FAN Yutao no longer served as a Director of the Bank or held relevant positions in the special committee of the Board. During the Reporting Period, he should attend 3 meetings of the Nomination Committee of the Board.
- On 17 June 2021, Mr. WANG Shihao was appointed as a member of the Nomination Committee of the Board. On 23 December 2021, Mr. WANG Shihao no longer held relevant positions in the Nomination Committee of the Board. During the Reporting Period, he should attend 1 meeting of the Nomination Committee of the Board.
- On 23 December 2021, Ms. WANG Dan and Mr. LI Xiaojian were appointed as members of the Nomination Committee of the Board. During the Reporting Period, they should attend 1 meeting of the Nomination Committee of the Board.
- On 19 January 2022, Mr. SONG Ke was appointed as a member of the Nomination Committee of the Board. Mr. WU Ge no longer served as a Director of the Bank or held relevant positions in the special committees of the Board.

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Nomination Policy and Procedures for Selection of Directors

In order to ensure a balance of skills, experience and diversity of perspectives in the Board of Directors appropriate to the Bank's business, the Nomination Committee of the Board of Directors recommends nominations of Directors to the Board of Directors in accordance with the principles of the Board diversity policy and the Bank's nomination policy. The main criteria and principles of the Bank's nomination policy include: (1) reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board of Directors and the management every year according to the operations and management situation, asset scale and equity structure of the Bank, and providing suggestions to the Board in relation to possible changes of the Board of Directors based on the strategy of the Bank; (2) formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board; formulating or revising the Board diversity policy and developing the diversity of the Board of Directors in the process of personnel selection, taking into account, among other things, gender, age, culture, perspective, educational background and professional experience; (3) searching for qualified candidates for Directors and proposing nominations to the Board of Directors after due consideration of the Board diversity policy of the Bank, the requirements for being a Director of the Bank under the Articles of Association of the Bank, the Hong Kong Listing Rules and applicable laws and regulations, as well as the contributions that relevant candidates can make to the Board of Directors in terms of qualifications, skills, experience, independence and gender diversity; (4) assessing the independence of independent non-executive Directors according to the factors set out in Rule 3.13 of the Hong Kong Listing Rules and any other factors as may be considered appropriate by the Nomination Committee or the Board of Directors; where a proposed independent non-executive Director is proposed to serve as a director of five (or more) listed companies, whether he/she can devote enough time to the Board of Directors will be assessed.

The main procedures for selection of Directors of the Bank are as follows: (1) The general office of the Board and the Nomination Committee of the Board of Directors actively communicate with relevant departments of the Bank to study the Bank's demand for appointment and re-election of Directors and senior management personnel and prepare relevant written documents; (2) the Nomination Committee of the Board of Directors may extensively search for candidates for directors and senior management personnel within the Bank and its controlled (associate) companies and talent market; (3) the Nomination Committee of the Board of Directors, after due consideration of relevant requirements, including but not limited to the nomination policy and the Board diversity policy, identifies persons who are eligible to become Board members, and assess the independence of independent non-executive Directors as appropriate; the Nomination Committee of the Board of Directors collects and understands information on the candidates including their occupations, educational background, professional titles, detailed work experience, and full-time and part-time job experience, and formulates relevant written materials; (4) the Nomination Committee solicits the nominees' written consent to their nominations, otherwise they may not be put on the list of candidates for Directors, general manager and other senior management personnel; (5) the Nomination Committee convenes meetings to review the qualifications of proposed candidates according to the job qualifications required for Directors, general manager and other senior management personnel; (6) the Nomination Committee makes recommendations and submit relevant materials to the Board of Directors on candidates for Directors and senior management personnel within a reasonable time prior to the election and re-election of Directors and appointment of senior management personnel; and (7) the Nomination Committee follows up other matters according to the decisions and feedback of the Board of Directors.

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5.6 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Bank consists of 1 non-executive Director and 2 independent non-executive Directors. The non-executive Director is Mr. WANG Shihao, and the 2 independent non-executive Directors are Ms. LI Yanyan and Ms. LI Shuk Yin Edwina. The chairman of the Remuneration and Assessment Committee is Ms. Li Yanyan, an independent non-executive Director.

The Remuneration and Assessment Committee is mainly responsible for reviewing the remuneration management system and policies of the Bank, studying the criteria for appraising Directors and senior management personnel, and conducting the appraisal and making proposals; making proposals to the Board in respect of the remuneration policies and structures for Directors and senior management of the Bank and the formulated remuneration policies with a view to establishing a set of formal and transparent procedures, supervising and modifying the implementation of the Bank's remuneration policies; reviewing the performance of duties of Directors and senior management personnel and conducting annual performance appraisal on them.

Convening of Meetings

During the Reporting Period, the Remuneration and Assessment Committee of the Bank held 4 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestion	Other performance of duties	Details of objections
The eighth meeting of the Remuneration and Assessment Committee of the sixth session of the Board	1 March 2021	Considered and approved 2020 Work Report of the Remuneration and Assessment Committee of the Board, the Resolution on the Adjustment of the Remuneration Standards for Non-executive Directors and Independent Non-executive Directors of the Board	-	-	-
The ninth meeting of the Remuneration and Assessment Committee of the sixth session of the Board	28 April 2021	Considered and approved the Resolution on 2020 Performance Appraisal Results on Executive Directors and Senior Management Personnel, and the Resolution on the Amendment to Remuneration and Performance Management Measures for Senior Management	-	-	-

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Name of meeting	Date of convening	Content of meeting	Important comments and suggestion	Other performance of duties	Details of objections
The first meeting of the Remuneration and Assessment Committee of the seventh session of the Board	13 August 2021	Considered and approved the Resolution on 2021 Remuneration and Performance Appraisal Scheme for Executive Directors and Senior Management	-	-	-
The second meeting of the Remuneration and Assessment Committee of the seventh session of the Board	30 December 2021	Considered and approved the Resolution on the Election of Chairman of the Remuneration and Assessment Committee of the Seventh Session of the Board.	-	-	-

Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
WANG Shihao	2	2
LI Yanyan	4	4
LI Shuk Yin Edwina	1	1
ZHANG Jingguo	2	2
CHAN Mei Bo Mabel	3	3

Notes:

- On 17 June 2021, Mr. ZHANG Jingguo no longer served as a Director of the Bank or held relevant positions in the special committee of the Board. During the Reporting Period, he should attend 2 meetings of the Remuneration and Assessment Committee of the Board. Mr. WANG Shihao was appointed as a member of the Remuneration and Assessment Committee of the Board. During the Reporting Period, he should attend 2 meetings.
- On 23 December 2021, Ms. LI Shuk Yin Edwina was appointed as a member of the Remuneration and Assessment Committee of the Board. During the Reporting Period, she should attend 1 meeting of the Remuneration and Assessment Committee of the Board. Ms. CHAN Mei Bo Mabel no longer served as a member of the Remuneration and Assessment Committee of the Board. During the Reporting Period, she should attend 3 meetings.

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5.7 Consumer Rights Protection Committee

The Consumer Rights Protection Committee of the Bank consists of three executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua). The chairman of Consumer Rights Protection Committee is Mr. SHEN Xueqing, an executive Director.

The Consumer Rights Protection Committee is mainly responsible for formulating the Bank's development goals, strategies and plans for the protection of consumer rights, deploying and coordinating for the protection of consumer rights and conducting research on major issues concerning consumer rights protection, regularly communicating with the senior management and heads of departments about consumer rights protection of the Bank and giving comments and suggestions, supervising and inspecting the implementation of the annual work plan, and other matters under the authority granted by the Board of Directors.

Convening of Meetings

During the Reporting Period, the Consumer Rights Protection Committee of the Bank held 3 meetings, the particulars of which are as follows:

Name of meeting	Date of convening	Content of meeting	Important comments and suggestion	Other performance of duties	Details of objections
The fifth meeting of the Consumer Rights Protection Committee of the six session of the Board	29 January 2021	Considered and approved the 2020 Work Report of the Consumer Rights Protection Committee, and 2020 Self-evaluation Report on the Protection of Consumer Rights and Interests	-	-	-
The first meeting of the Consumer Rights Protection Committee of the seventh session of the Board	13 October 2021	Considered and approved the Rectification Report on the Protection of Customers Rights and Interests, and the Complaints Report in the Third Quarter of 2021 and the Consumer Protection Work Plan in the Fourth Quarter	-	-	-
The second meeting of the Consumer Rights Protection Committee of the seventh session of the Board	9 December 2021	Considered and approved the Resolution on the Election of Chairman of the Consumer Rights Protection Committee of the Seventh Session of the Board	-	-	-

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Directors' Attendance of Meetings

Director	Required attendance	Actual attendance
WANG Tianyu	3	3
SHEN Xueqing	3	3
XIA Hua	3	3

6 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board performed the following duties within its terms of reference: formulating and reviewing the Bank's corporate governance policies and practices, and making recommendations; reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the codes of conduct for Directors, Supervisors and employees; and reviewing compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report.

7 BOARD OF SUPERVISORS

7.1 Responsibilities of the Board of Supervisors

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is accountable to the general meeting. The duties of the Board of Supervisors include: to review the Bank's financial reports prepared by the Board of Directors and express comments thereon in writing; to supervise the performance and due diligence of the Board of Directors, senior management and its members; to question the Directors, the Board of Directors and senior management; to conduct exit audits towards the Directors and senior management personnel if necessary; to require the Directors and senior management personnel to rectify their acts which are detrimental to the interests of the Bank; to examine and supervise the Bank's financial activities; to supervise and audit the business decision making, risk management and internal control of the Bank, if necessary; to propose dismissal or initiate legal proceedings against the Directors and senior management personnel who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting; to propose the convening of extraordinary general meetings and extraordinary Board meetings, convene and preside over the general meeting in the event that the Board of Directors has failed to undertake its duty as stipulated by the Company Law to convene and preside over the general meeting, and propose resolutions to a general meeting; to verify financial information such as financial reports, business reports and profit distribution plans to be proposed at the general meeting by the Board of Directors; to make arrangements for remuneration (or allowance) for the Supervisors; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association or those granted by the general meeting.

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The Board of Supervisors has established an office as its administrative body, responsible for the preparation of meetings of the Board of Supervisors and its special committees and routine affairs.

7.2 Operating Model of the Board of Supervisors

This includes convening regular meetings of the Board of Supervisors, attending general meetings, attending the Board meetings and certain meetings of its special committees, attending the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications among the Directors and the senior management, conducting exit audits of the executive Directors and the senior management as required, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management and internal control, as well as the performance of duties of Directors and the senior management personnel. During the Reporting Period, the Board of Supervisors performed its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed exits audit on the executive Directors and the senior management personnel as required. They reviewed and supervised the financial activities, risk management and internal control of the Bank, and investigated any abnormal operating activities. During the Reporting Period, the Board of Supervisors supervised the 2020 annual performance of the board of directors of the Bank, Directors, the senior management and its members and Supervisors, and gave feedback to the Board of Directors and the senior management.

7.3 Members of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consisted of a total of 6 Supervisors, including 3 employee representative Supervisors: Ms. ZHAO Lijuan (趙麗娟), Mr. LI Huaibin (李懷斌) and Ms. CHEN Xinxiu (陳新秀); 1 Shareholder representative Supervisor: Mr. ZHU Zhihui (朱志暉); and 2 external Supervisors: Mr. MA Baojun (馬寶軍) and Mr. XU Changsheng (徐長生). The composition of the Board of Supervisors is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

For details of the Supervisors and changes of Supervisors, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

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7.4 Particulars of Meetings of the Board of Supervisors and Supervisor's Attendance

Convening of the Meeting

During the Reporting Period, the Bank held a total of 8 Board of Supervisors meetings to consider and approved 33 major resolutions including the Annual Work Report of the Board of Supervisors, the Annual Work Report of the Special Committees of the Board of Supervisors, the Profit Distribution and Capitalization Issue Plan, the re-election of the Board of Supervisors and the nomination of candidates for the seventh session of the Board of Supervisors.

Session of the meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The twelfth meeting of the sixth session of the Board of Supervisors	30 March 2021	31 March 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The 2021 first extraordinary meeting of the sixth session of the Board of Supervisors	28 April 2021	29 April 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The thirteenth meeting of the sixth session of the Board of Supervisors	15 May 2021	17 May 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The first meeting of the seventh session of the Board of Supervisors	17 June 2021	18 June 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The second meeting of the seventh session of the Board of Supervisors	27 August 2021	30 August 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The 2021 second extraordinary meeting of the seventh session of the Board of Supervisors	16 September 2021	17 September 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange
The third meeting of the seventh session of the Board of Supervisors	29 October 2021	30 October 2021 1 November 2021	Please refer to the announcement published by the Bank on CNINFO Please refer to the announcement published by the Bank on the website of the Hong Kong Stock Exchange
The 2021 third extraordinary meeting of the seventh session of the Board of Supervisors	23 December 2021	24 December 2021	Please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange

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Attendance at the General Meetings

During the Reporting Period, all Supervisors attended the annual general meeting, extraordinary general meeting and class meetings of Shareholders of the Bank, and supervised the legal compliance of the procedures of meetings and the voting process on-site.

Attendance at the Meetings of the Board of Supervisors

Supervisor		Required attendance	Attendance in person	Attendance by proxy
Employee Supervisors	ZHAO Lijuan	8	8	–
	LI Huaibin	8	8	–
	CHEN Xinxiu	5	5	–
	CHENG Jie	3	3	–
Shareholder Supervisor	ZHU Zhihui	8	8	–
External Supervisors	MA Baojun	8	8	–
	XU Changsheng	5	5	–
	SONG Ke	3	3	–

Notes:

- At the second plenary meeting of the third session of the Committee of the Labour Union of the Bank held in May 2021, three employee Supervisors of the seventh session of the Board of Supervisors were elected, namely Ms. ZHAO Lijuan, Mr. LI Huaibin and Ms. CHEN Xinxiu. At the 2020 AGM held in June 2021, three Supervisors of the seventh session of the Board of Supervisors were elected, namely Mr. ZHU Zhihui as a Shareholder Supervisor and Mr. MA Baojun and Mr. XU Changsheng as external Supervisors. During the Reporting Period, Ms. ZHAO Lijuan, Mr. ZHU Zhihui, Mr. MA Baojun and Mr. LI Huaibin who were re-elected should attend 8 meetings of the Board of Supervisors, and Mr. XU Changsheng and Ms. CHEN Xinxiu who were newly elected should attend 5 meetings of the Board of Supervisors.
- Mr. SONG Ke ceased to serve as an external Supervisor and Ms. CHENG Jie ceased to serve as an employee Supervisor after the conclusion of 2020 AGM. During the Reporting Period, they should attend 3 meetings of the Board of Supervisors.

Attendance at the Meetings of the Board and the Senior Management

During the Reporting Period, the Board of Supervisors sent representatives to attend on-site meetings of the Board of Directors, and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the approval by the Board of Directors.

7.5 Special Committees of the Board of Supervisors

Special Committees of the Board of Supervisors	Chairman	Members
Nomination Committee	MA Baojun	ZHAO Lijuan, CHEN Xinxiu
Supervision Committee	XU Changsheng	ZHU Zhihui, LI Huaibin

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The Nomination Committee of the Board of Supervisors

Primary duties of the Nomination Committee of the Board of Supervisors include: formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors; conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management personnel and submitting reports to the Board of Supervisors; supervising whether the remuneration management system and policies of the Bank and the remuneration proposal for its senior management members are scientific and reasonable; and any other matters under the authority granted by the Board of Supervisors.

During the Reporting Period, the Nomination Committee of the Board of Supervisors held a total of 7 meetings to consider and approve a number of resolutions including 2020 Work Report of the Nomination Committee of the Board of Supervisors, the Board of Supervisors' 2020 Assessment Report on the Duties Performed by the Board and Its Members, Board of Supervisors and Its Members and Senior Management and Its Members.

Supervision Committee of the Board of Supervisors

The primary duties of the Supervision Committee of the Board of Supervisors are formulating plans for supervision of financial activities of the Bank and implementing relevant inspections; supervising the Board of Directors to establish and adhere to prudent business philosophy and value standards and formulating development strategies that align with the actual situations of the Bank; monitoring and reviewing the business decision making, risk management and internal control of the Bank; and any other matters under the authority granted by the Board of Supervisors. The Supervision Committee of the Board of Supervisors may conduct investigation on special affairs of the Bank, and the results of the investigation will be reported to both the Board of Supervisors and the Board of Directors.

During the Reporting Period, the Supervision Committee of the Board of Supervisors held a total of 3 meetings, considered and approved a number of resolutions including 2020 Work Report of the Supervision Committee of the Board of Supervisors, and 2020 Annual Report and Its Summary of the Bank.

8 MANAGEMENT

8.1 Duties and Powers

The management, as the executive body of the Bank, is responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority and powers between the management and the Board is determined in accordance with the Articles of Association and other corporate governance documents.

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The Bank has 1 president and several vice presidents and assistants to the president, all of them are appointed or removed by the Board. The president is responsible to the Board. Approved and delegated by the Board of Directors, the president of the Bank exercises the following powers and rights: to take charge of the operations management of the Bank, arrange the implementation of the resolutions of the meetings of the Board of Directors and report the work to the Board of Directors; to submit annual business plans and investment proposals to the Board of Directors and arrange the implementation upon approval by the Board of Directors; to draft proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank; to propose to the Board of Directors to appoint or dismiss the vice presidents, assistants to the President, financial officers and other senior management personnel; to decide to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors, and determine their salaries, benefits, reward and punishment according to the remuneration reward and punishment scheme set up by the Board of Directors; to approve senior management members and persons in charge of internal departments and branches to conduct operational activities; to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment; to adopt emergency measures when any material emergency occurs in the Bank and report them to the banking regulatory and administrative authorities under the State Council, the Board of Directors and the Board of Supervisors immediately; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, regulations of the relevant regulatory authorities and the Articles of Association as well as those granted by the Board of Directors.

8.2 Appraisal and Incentives

The Board of Directors determines the remuneration of senior management personnel of the Bank, deliberates and approves the remuneration packages for senior management personnel, and approves the Remuneration and Assessment Committee of the Board to formulate remuneration packages for senior management personnel and carry out performance appraisal for final determination of remuneration. The Bank determines the total annual remuneration of each senior management member based on the annual appraisal results on senior management in accordance with the relevant provisions of the Measures for Compensation and Performance Management of Senior Management Personnel.

9 JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. XIA Hua and Ms. LEUNG Wing Han Sharon, a former vice president of SWCS Corporate Services Group (Hong Kong) Limited, have been appointed by the Bank as its joint company secretaries. Ms. LEUNG Wing Han Sharon's main contact person at the Bank is Mr. XIA Hua, another joint company secretary. During the Reporting Period, both Mr. XIA Hua and Ms. LEUNG Wing Han Sharon had received not less than 15 hours of relevant professional training in accordance with the provisions under Rule 3.29 of the Hong Kong Listing Rules.

On 28 February 2022, due to job reallocation, Ms. LEUNG Wing Han Sharon resigned as the joint company secretary and an alternate to authorized representative of the Bank. On the same day, upon consideration and approval by the Board, the Bank appointed Dr. NGAI Wai Fung as the joint company secretary and an alternate to authorized representative of the Bank. Dr. NGAI Wai Fung's main contact

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person at the Bank is also Mr. XIA Hua, another joint company secretary. In addition, the Bank has applied to the Hong Kong Stock Exchange and has been granted by the Hong Kong Stock Exchange a new waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Hong Kong Listing Rules from 28 February 2022 to 26 August 2024, on the conditions that, among others, Mr. XIA is assisted by Dr. NGAI and the Bank does not materially breach the Hong Kong Listing Rules during the new waiver period. For details, please refer to the announcement dated 28 February 2022 published by the Bank on the website of the Hong Kong Stock Exchange.

10 SHAREHOLDERS' RIGHTS

10.1 Convening of General Meetings

Pursuant to the Articles of Association and the Rules of Procedure of General Meetings, an extraordinary general meeting should be convened within two months upon request in writing by Shareholders holding individually or collectively 10% or more of the voting shares of the Bank (the “**Requesting Shareholders**”).

General meetings should be convened by the Board. If the Board of Directors is unable to or unwilling to undertake its duties in convening a general meeting and the Board of Supervisors does not convene a general meeting, Shareholders individually or collectively holding more than 10% of the Bank's total voting Shares for more than 90 consecutive days (the “**Convening Shareholders**”) may convene and preside over the meeting on a unilateral basis.

Any proposal to the Board of Directors for the convening of a general meeting should be made in writing. The Board of Directors should, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within 10 days after receiving such proposal.

In the event that the Board of Directors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after the passing of the relevant resolution at the meeting of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

If the Board of Directors does not agree to convene such meetings or does not furnish any reply within 10 days after receiving such proposal, Requesting Shareholders have the right to propose to the Board of Supervisors for the convening of such meetings, provided that such proposal is made in writing.

In the event that the Board of Supervisors agrees to convene relevant meetings, the notice of relevant meetings should be issued within 5 days after receiving such request. Any changes to the original proposal made in the notice require prior approval of the Shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting within the required period is deemed a failure of the Board of Supervisors to convene and preside over it, and Shareholders individually or collectively holding more than 10% of the Bank's total voting Shares for more than 90 consecutive days may convene and preside over the meeting on a unilateral basis.

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10.2 Putting Forward Proposals at General Meetings

Shareholders individually or collectively holding 3% or more of the total outstanding voting shares (the “**Proposing Shareholders**”) have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener 10 days before the general meeting is convened. The convener should issue a supplementary notice of the general meeting within 2 days after receiving the provisional proposals.

10.3 Convening of Extraordinary Board Meeting

The chairman of the Board should convene and preside over an extraordinary board meeting within 10 days upon receipt of the proposal from Shareholders representing more than one tenth voting rights.

10.4 Making Inquiries to the Board

Shareholders are entitled to supervise the business activities of the Bank, and make recommendations or inquiries.

Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of the securities regulatory authorities of the places where the Shares of the Bank are listed, and the Articles of Association, including:

1. obtaining a copy of the Articles of Association upon payment of the costs thereof;
2. inspecting, free of charge, and photocopying, after paying a reasonable fee, the following documents:
 - (1) all parts of the register of Shareholders;
 - (2) personal information of Directors, Supervisors, the president and other senior management personnel of the Bank;
 - (3) the Bank’s share capital;
 - (4) a report showing the total nominal value, quantity, highest and lowest prices of each class of Shares repurchased by the Bank since the previous fiscal year and all costs paid by the Bank in this regard;

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- (5) minutes of Shareholders' general meetings;
- (6) special resolutions of the Bank;
- (7) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors; and
- (8) a copy of the latest annual return filed with the PRC company register department or other competent authorities.

A Shareholder who requests to inspect any such information or obtain relevant data should provide written documentation to the Bank certifying the class and quantity of Shares held by him/her in the Bank. After verifying the identity of the Shareholder, the Bank should provide the Shareholder with the relevant information as requested.

11 COMMUNICATION WITH SHAREHOLDERS

Investor Relations

The Bank attaches importance to communication with Shareholders, actively responds to Shareholders' advice and recommendations, arranges special personnel to answer calls from investors and timely responds to questions raised by investors through the EasyIR platform. Meanwhile, the Bank communicates with investors and improves their understanding of the Bank through various channels including general meetings and results presentation conferences. Therefore, upon annual review, the management is of the view that the shareholder communication policy of the Bank can be effectively implemented.

For enquiries to the Board, investors may contact:

The general office of Board of Directors of Bank of Zhengzhou Co., Ltd.

Address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC

Tel: +86-371-67009199 Fax: +86-371-67009898

Email: ir@zzbank.cn

Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and sound internal control to ensure that investors have access to information in a timely and accurate manner.

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In accordance with the Administrative Measures for Information Disclosure of Listed Companies 《上市公司信息披露管理辦法》, the Measures for Information Disclosure of Commercial Banks 《商業銀行信息披露辦法》, the SZSE Listing Rules and the Hong Kong Listing Rules, the Bank performs its information disclosure obligation in accordance with the law and ensures the truthfulness, accuracy and completeness of the information disclosed. During the Reporting Period, the Bank published periodic reports and interim announcements on the websites of Hong Kong Stock Exchange, CNINFO (cninfo.com.cn) (巨潮資訊網), China Securities Journal 《中國證券報》, Shanghai Securities News 《上海證券報》, Securities Times 《證券時報》 and Securities Daily 《證券日報》 timely. Meanwhile, the full texts of the Bank's periodic reports and temporary announcements are available on the website of the Bank, and the annual reports and interim reports are available for inspection by investors and stakeholders in the general office of the Board of Directors and main outlets of the Bank.

12 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

The Directors, Supervisors and senior management personnel (including the chairman and the president) of the Bank do not have any relationship, including financial, business, family and other material relations.

13 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code governing securities transactions by Directors and Supervisors and relevant employees. After having made inquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above code during the Reporting Period.

Except as disclosed in this Report and in other announcements of the Bank, the Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under regulatory documents, including the Guidelines for the Standard Operation of Listed Companies on the Shenzhen Stock Exchange, during the Reporting Period.

In March 2021, Mr. Li, the spouse of Ms. WANG Zhaoqi, a senior management member of the Bank, was found to have committed short-swing transactions due to misoperation during the period between January 2021 and March 2021. The gain of RMB150.00 from such short-swing transaction has been handed over to the Bank in full. The Bank has reprimanded Ms. WANG Zhaoqi, demanding to increase study of relevant laws and regulations, strictly restrain herself and her relatives' transactions, and prevent the recurrence of similar incidents. Ms. WANG Zhaoqi has expressed deep remorse for failing to perform her supervision obligations in a timely manner. She conducted profound reflection, submitted an incident report to the Bank, and undertook to further study relevant laws and regulations, so as to regulate herself and her relatives' transactions, strengthen securities account management, voluntarily safeguard the order of the securities market, and prevent the recurrence of similar incidents. For details, please refer to the announcement dated 9 March 2021 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

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14 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and Research of Directors

All Directors of the Bank are able to undertake their responsibilities, perform their duties, study relevant regulations and books in respect of the regulated operation and information disclosure of listed companies, and learn the latest regulatory policies and related systems, so as to improve compliance awareness and professional skills. During the Reporting Period, Mr. LI Xiaojian, Mr. SONG Ke and Ms. LI Shuk Yin Edwina, newly elected independent non-executive Directors of the seventh session of the Board of the Bank, participated in the training for the qualification of independent directors held by SZSE and obtained the qualification certificate for independent directors. The Directors of the seventh session of the Board of the Bank actively participated in the online training on policy interpretation of the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) and the Performance Evaluation Methods for Directors and Supervisors of Banking and Insurance Institutions (Trial) (《銀行保險機構董監事履職評價辦法(試行)》) conducted by China Banking Association and the training on interpretation of compliance transaction rules conducted by sponsors. Mr. XIA Hua, an executive Director, participated in the training for director and senior management of listed company in Henan in 2021 organized by the Henan Listed Companies Association (河南上市公司協會). Mr. JI Hongjun, Mr. WANG Shihao, Mr. XIE Taifeng, Mr. WU Ge and Ms. LI Yanyan, Directors of the sixth session of the Board of the Bank, went to Xinyang Branch to conduct research and offer guidance.

Training and Research of Supervisors

Each Supervisor of the Bank studied in depth the regulatory policies at home and abroad and the responsibilities and obligations of directors, supervisors, and senior management personnel to improve their overall quality and ability to perform their duties. During the Reporting Period, supervisors of the seventh session of the Board of Supervisors of the Bank actively participated in the online training course (conducted by China Banking Association) on interpretation of Corporate Governance Codes for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) and the Performance Evaluation Measures for Directors and Supervisors of Banking and Insurance Institutions (Trial) (《銀行保險機構董監事履職評價辦法(試行)》), and training (carried out by sponsoring institutions) on interpretation of compliance trading rules, systematically learning the banking corporate governance system and compliance trading rules. Some supervisors of the seventh session of the Board of Supervisors visited the affiliated institutions, shareholder units and branches to conduct researches, so as to deeply understand the operation and management status and development trend of the Bank. Supervisors of the sixth session of the Board of Supervisors, Ms. ZHAO Lijuan, Mr. ZHU Zhihui, Mr. MA Baojun, Mr. LI Huaibin and Ms. CHENG Jie, went to Xinyang Branch to carry out research work.

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15 EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

At the 2020 AGM held on 17 June 2021, the Bank considered and approved the re-appointment of KPMG Huazhen LLP and KPMG as its domestic and overseas auditors, respectively, for a term until the 2021 annual general meeting of the Bank. The two accounting firms have been providing accounting services for the Bank for 10 years and 7 years, respectively. The Bank did not change its auditors in the past three years. In 2021, the certified public accountants who signed the auditor's report of the financial statements, which was prepared in accordance with the Accounting Standards for Business Enterprises of the PRC by the Bank, were Mr. GONG Kai and Ms. LIU Jie, who had served as certified public accountants signing the auditor's report of financial statements of the Bank consecutively for 2 years and 1 year respectively; the certified public accountant who signed the auditor's report of the financial statements, which was prepared in accordance with the IFRS by the Bank, was Mr. Eric Pang, who had provided audit services for the Bank consecutively for 2 years.

During the Reporting Period, the Bank paid a total of RMB5.25 million as remuneration to KPMG Huazhen LLP and KPMG for their review of the Bank's interim financial statements and audit of the Bank's annual financial statements, and paid internal control audit fees for 2021 of RMB0.4 million to KPMG Huazhen LLP. KPMG Huazhen LLP's and KPMG's responsibility statements on the financial reports were set out in the auditor's reports of the A Share and H Share annual reports, respectively.

The Board and the Audit Committee of the Board agreed on the selection and appointment of the external auditors of the Bank without any disagreement.

16 RISK MANAGEMENT AND INTERNAL CONTROL

16.1 Procedures for Identification, Assessment and Management of Material Risks

In order to handle major emergencies in the Bank in a timely and proper manner, effectively prevent and resolve risks, and maintain financial order and social stability, the Bank continuously enhanced its risk management system, strengthened its risk management policies and system construction, and improved the operational mechanisms of the risk management committee of the Board and the risk management committee of the senior management to play their roles in the decision-making on major risks and internal control matters, while improving the comprehensive assessment system on risk management of the branches. The Bank has formulated the Administrative Measure for the Reporting of Major Emergencies (《重大突發事件報告管理辦法》), which provide that major emergencies should be classified by nature and business type and be reported, filed and managed by different departments accordingly in a timely, accurate, true and comprehensive manner.

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16.2 Risk Management Responsibility of the Board

The Board of Directors is well aware of its responsibility for implementing risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable but not absolute guarantee against material misstatements or losses. In accordance with relevant laws and regulations including the Comprehensive Risk Management Guidelines for Financial Institutions in the Banking Industry 《銀行業金融機構全面風險管理指引》, the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, and code provisions C.2.1 and C.2.2 (which have been renumbered as code provisions D.2.1 and D.2.2 of the Corporate Governance Code since 1 January 2022) of the Corporate Governance Code, the Board has formulated the Basic Rules for Comprehensive Risk Management, the Measures for Risk Appetite Management, the Measures for Management of Risk Limits, and has established and implemented risk management and internal control systems. The Board is also responsible for timely reviewing the effectiveness of such measures and systems, reviewing risk control principles, objectives and policies of the Bank, determining the acceptable risk exposure, ensuring that the senior management takes necessary risk control measures, and supervising the senior management's monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Bank reviews the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries at least once a year. During the Reporting Period, the Bank has reviewed (i) risk management and internal control systems, which covered all material controls, including financial, operational and compliance controls; and (ii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting. Besides, the Bank also revised the Risk Preference Management Measures, the Risk Quota Management Measures and the Working Rules for the Senior Management of the Risk Management Committee, further enhanced the risk governance structure and institutional responsibilities, and specified the tolerance threshold, transmission mechanism and reporting path of risk preference. During the Reporting Period, the Board believes that (i) the risk management and internal control systems developed and implemented by the Bank were adequate and effective; and (ii) the resources, staff qualifications and experience, training programmes and budget of the Bank's accounting, internal audit, financial reporting functions, as well as those relating to the Bank's ESG performance and reporting were adequate and sufficient.

16.3 Characteristics of the Risk Management System

The Bank has continuously established comprehensive risk management systems, improved comprehensive risk management policies and procedures, ensured the implementation of policies, conducted self-assessment of comprehensive risk management systems, and enhanced self-discipline mechanisms. We combine qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control or mitigate various risks including but not limited to credit risk, market risk, liquidity risk, operational risk, reputation risk, information technology risk and major ESG-related risk, while carefully evaluating the interrelated impact between various risks. The Bank's risk management system comprises the following elements: risk management framework, risk appetite and risk limits, risk management policies and procedures, management information system, internal control and audit systems, etc.

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16.4 Development and Implementation of Internal Control

During the Reporting Period, the Bank firmly carried out activities for developing internal control compliance management, reinforced the prudent operation culture, and laid a solid foundation for quality development. Firstly, the Bank took the Year of Developing Internal Control Compliance Management as an opportunity to identify the defects of internal control management, clarified the rectification standards, and continuously promote the fundamental rectification of internal control management mechanism through the cooperation with 3 defence lines including institutions and lines, risk and compliance departments, and internal audit. Secondly, the Bank improved the internal control system and business process comprehensively. The Bank continuously carried out system sorting, process risk identification and assessment, formulated improvement measures for business links with insufficient risk control, enhanced the process, and embedded internal control compliance requirements into various business processes. During the Reporting Period, the Bank added or revised 302 internal control measures. Thirdly, the Bank carried out internal control compliance inspection and established risk prevention and control mechanism. The Bank dispatched specific compliance managers to branches for close supervision, made full use of big data risk control technology and mode, constantly enhanced the compliance monitoring model, and empowered the whole bank with internal control compliance management. Fourthly, the Bank improved the institutional structure of internal control and supervision. The inspection office of the party committee was set up at the party committee level, and the discipline inspection team was set up at the level of commission for discipline inspection. Such units collaborated with the internal audit department and risk compliance management department of the Board, so as to establish an internal control and supervision structure covering all levels and all institutions.

16.5 Internal Control Assessment

16.5.1 Particulars of Major Internal Control Defects Discovered During the Reporting Period

During the Reporting Period, the Bank found no major defects on internal control.

16.5.2 Self-assessment Report on Internal Control

Date of full-text disclosure of internal control assessment report	31 March 2022
Websites for full-text disclosure of internal control assessment report	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)

The proportion of the total assets of entities covered by the assessment in the total assets in the consolidated financial statements of the Bank	100.00%
The proportion of the operating income of entities covered by the assessment in the operating income in the consolidated financial statements of the Bank	100.00%

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Defect recognition criteria

Category	Financial reports	Non-financial reports
Qualitative criteria	<p>Qualitative criteria for identifying a material weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected and corrected on a timely basis. Signs of material weaknesses include but are not limited to: directors, supervisors or senior management personnel commit fraud or other malpractice; there are material misstatements in the published financial statements; material or significant weaknesses in internal control of financial reporting have not been rectified; the supervision over internal control of financial reporting is ineffective.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a misstatement of financial statements, which is not material but important enough to merit attention by the Board of Directors and the management, will not be prevented or detected and corrected on a timely basis. Signs of important weaknesses include but are not limited to: failure to select and apply accounting policies in accordance with generally accepted accounting standards, no anti-fraud procedures and control measures have been established; for the accounting treatment of unconventional or special transactions, the corresponding control mechanisms have yet to be established or implemented and there is a lack of remedial control measures; there are one or more deficiencies in the control of the financial reporting process at the end of each reporting period and there is no reasonable assurance that financial statements will be prepared in a true and complete manner.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control of financial reporting that does not constitute a material or significant weakness.</p>	<p>Qualitative criteria for identifying a material weakness: a deficiency or a combination of deficiencies that has a material negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of material weaknesses include but are not limited to: material decision-making mistakes; serious violations of national laws and regulations and consequent severe penalties; frequent and extensive negative news in the media; overall ineffective control systems for important business activities.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency or a combination of deficiencies that has a significant negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, achievement of development strategies and other internal control objectives. Signs of important weaknesses include but are not limited to: significant decision-making mistakes; serious losses arising from violation of internal rules and regulations; negative news in the media with limited impact; significant mistakes in the design and control of systems for important business activities.</p> <p>Qualitative criteria for identifying a general weakness: any other weakness in internal control over non-financial reporting activities that does not constitute a material or significant weakness.</p>

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Defect recognition criteria

Category	Financial reports	Non-financial reports
Quantitative criteria	<p>Quantitative criteria for identifying a material weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year \leq amount of misstatement $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: the amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the condition that the amount of misstatement $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.</p>	<p>Quantitative criteria for identifying a material weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that 0.25% of the total profit before tax in the consolidated income statement for the current year \leq direct property loss $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: the direct property loss that may be caused by the underlying internal control weakness meets the condition that the direct property loss $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.</p>
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	
Number of important defects in financial reports	0	
Number of important defects in non-financial reports	0	

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16.6 Audit Report on Internal Control

Review opinions in the audit report on internal control

KPMG Huazhen LLP is of the view that as at 31 December 2021, Zhengzhou Bank had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant regulations.

Disclosure of the audit report on internal control	Disclosed
Date of full-text disclosure of the audit report on internal control	31 March 2022
Websites for full-text disclosure of the audit report on internal control	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)
Type of opinion in the audit report on internal control	Standard unqualified opinion
Whether there are major defects in non-financial reports	No

The audit report on internal control issued by the accounting firm is consistent with the self-assessment report of the Board.

17 INTERNAL AUDIT

Pursuant to the requirements of the Guidelines for Internal Audit of Commercial Banks 《商業銀行內部審計指引》 and the Guidelines for Internal Control of Commercial Banks 《商業銀行內部控制指引》, the Bank has established an independent and vertical internal audit management system where the internal audit office as the executive body of the internal audit of the Bank is subordinate to the Board and works under the specific guidance of the Audit Committee of the Board. In accordance with regulatory requirements and relevant rules and regulations, the internal audit office conscientiously performs its duties, timely submits audit results to the senior management, and regularly reports to the Board of Directors and the Board of Supervisors on the audit work.

Adhering to the principles of independence, objectivity and significance, the internal audit department of the Bank formulates the master plan and annual work plan for internal audit of the Bank, arranges the audit of the Bank's business activities, operations and economic responsibilities of key personnel during their term of service, inspects, assesses, supervises and improves the Bank's business operations, risk management, internal control compliance, and corporate governance effects, and makes improvement suggestions to the management.

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During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-based auditing, actively adjusted to the needs for risk management situation, continuously strengthened audit supervision, followed up the correction of identified audit problems, improved the training and subsequent education of internal audit personnel, constantly enhanced their professional competence, and improved the quality and efficiency of internal audit.

18 SELF-INSPECTION AND RECTIFICATION OF PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

The Bank found no problems in the self-inspection of problems under the special action on governance of listed companies.

19 INSIDE INFORMATION MANAGEMENT

The Board is responsible for disclosing information of the Bank, which includes enacting standard procedures and methods in relation thereto and reviewing information to be disclosed, and it also assumes liabilities for the truthfulness, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Board of Supervisors. The chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the secretary to the Board is in charge of its execution and the general office of the Board deals with the daily work thereof.

The Bank enacted the Management System for Information Disclosure Affairs (《信息披露事務管理制度》) and Insider Information and Insider Registration Management System (《內幕信息及知情人登記管理制度》) based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law, the Securities Law, Measures for Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》), and the SZSE Listing Rules and the Hong Kong Listing Rules, in order to ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors.

The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the Management System for Information Disclosure Affairs, which also provides for the coverage, insider limits and registration, and the security management of inside information as well as punishment for divulging inside information, etc.

During the Reporting Period, the Bank not only stringently complied with the regulatory requirements of domestic and overseas regulators, but also intensified its management rules and enhanced the security measures of its inside information as well as disclosing relevant information timely according to requirements. There was no incident of breaching the confidentiality of inside information.

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20 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank amended the Articles of Association. Firstly, the Bank complied with the Company Law, Guidelines on the Articles of Association of Listed Companies 《上市公司章程指引》, Management Measures for the Formulation of Articles of Association of State-owned Enterprises 《國有企業公司章程制定管理辦法》, Guidelines on Corporate Governance of Commercial Banks 《商業銀行公司治理指引》 and other relevant laws, regulations and supervision provisions, and combined its actual situation, revising some provisions of the Articles of Association. The amendments were considered and approved at the 2020 AGM, and approved by the banking supervision department. For details of the amendments, please refer to the Bank's announcements dated 31 March 2021, 17 May 2021, 18 June 2021, and 28 October 2021 published on the website of CNINFO and the Bank's announcements dated 30 March 2021, 17 June 2021, and 28 October 2021 and the circular dated 17 May 2021 published on the website of the Hong Kong Stock Exchange. Secondly, in accordance with the Provisions on the Implementation of Supervision and Administration Measures for Publicly-raised Securities Investment Funds and Sales Institutions 《關於實施〈公開募集證券投資基金銷售機構監督管理辦法〉的規定》 and the relevant requirements of the State Administration for Market Regulation on the specification of business scope, the Bank amended the business scope stipulated in the Articles of Association. The amendments had been considered and approved by the Board of Directors, and have yet to be considered at general meetings and approved by the banking supervision department. For details of the amendments, please refer to the Bank's announcements dated 24 December 2021 published on the websites of CNINFO and Hong Kong Stock Exchange.

21 PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, the Bank conscientiously implemented the requirements of regulatory authorities such as the CBIRC and the PBOC and fully leveraged the coordination mechanism of various departments and actively carried out the protection of consumer rights.

Consumer protection was enhanced for the protection of the legitimate rights and interests of consumers. During the Reporting Period, the Bank sent the key staff involved in the protection of consumer rights and interests to attend special online training courses for the protection of consumer rights and interests, had front-line staff attended various training sessions related to the protection of consumer rights and interests in the Bank, and enhanced the professional competence and handling capabilities of staff involved in the protection of consumer rights and interests. Meanwhile, the Bank handled various petition and complaint cases efficiently in accordance with the relevant rules and regulations for petitions and complaints, thus having effectively protected the legitimate rights and interests of consumers of the Bank.

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Publicity and education of financial knowledge were strengthened to raise consumers' awareness of financial security. During the Reporting Period, the Bank rolled out a number of publicity campaigns such as prevention of phone fraud, prevention of illegal fundraising, promotion on Consumer Rights Day, financial knowledge promotion month and two other financial knowledge promotional events. Various publicity materials about financial knowledge were shown on WeChat public account, official TikTok account and on LED screens at our branches, and an array of publicity campaigns were staged on campus and in the community by a number of branches. The Bank worked in liaison with local media and community offices to increase the effectiveness of publicity campaigns so as to foster and promote relevant financial knowledge among general financial consumers, with emphasis placed on guiding consumers to raising their literacy of finance, their awareness of risk prevention and their capability to protect themselves.

22 WHISTLE-BLOWING AND ANTI-CORRUPTION POLICIES

The Bank designated certain departments to establish an internal whistle-blowing mechanism, investigate and deal with Party members and cadres' violations of Party and government discipline, employees' violations of laws and regulations and abnormal behaviors, case clues, etc., protecting whistle-blowers. We formulated the Provisions on Further Standardizing Internal Real-Name Reporting to promote the Bank's case prevention and control and anti-corruption and protect the legitimate rights and interests of whistle-blowers.

The Bank strictly implemented anti-corruption requirements and abided by the Regulations of the Communist Party of China on Disciplinary Measures 《中國共產黨紀律處分條例》, the Supervision Law of the People's Republic of China 《中華人民共和國監察法》 and other laws and regulations. The Bank has reformed its discipline inspection and supervision system. Zhengzhou Municipal Commission for Discipline Inspection and Supervision has set up a discipline inspection and supervision team in the Bank under its direct leadership and uniform management. During the Reporting Period, the Bank took the initiative to carry out anti-corruption work and daily training and education, so as to prevent corruption and improve the integrity awareness of cadres and employees. We prepared the Manual of Criminal Case Management and carried out warning education on cases of bribery and other crimes to further institutionalize and standardize anti-corruption work.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in the PRC banking and related financial services, including corporate banking, retail banking, treasury operation and other businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong), including the key risks and uncertainties faced by the Group, the possible future development plan of the Group's business and the Bank's compliance with laws and regulations, are set out in the sections headed "Corporate Information and Major Financial Indicators", "Management Discussion and Analysis", "Significant Events" and "Report of the Board of Supervisors" of this Report. Such discussions form an integral part of this "Report of the Board of Directors".

2 PROFIT DISTRIBUTION

2.1 Formulation, Implementation or Adjustment of Profit Distribution Policy for Ordinary Shares

According to the current Articles of Association, the Bank shall give preference to cash dividend distribution with reference to the continuous profitability, compliance with regulatory requirements, and the normal operation and long-term development of the Bank. The Bank shall not distribute profits to holders of Ordinary Shares until it has paid the agreed dividends to holders of the Preference Shares in full. Subject to the conditions for dividend distribution as stipulated by laws and regulations, the cumulative profits available for distribution in terms of cash dividends in the last three years shall be no less than 30% of the annual average distributable profits achieved by the Bank in the last three years. If the Bank meets the cash dividend condition but has not made a cash dividend plan, or if the Bank's cumulative profits available for distribution in terms of cash dividends in the last three years is less than 30% of the annual average distributable profits realized by the Bank in the last three years, the Board of Directors shall make special explanations on the specific reasons for not paying cash dividends, the exact use of retained earnings of the company and the expected investment income and so on, then submit them to the shareholders' general meeting for deliberation after the independent directors express their opinions, and disclose them through media designated by the Bank. The Bank shall provide shareholders with an online voting system to vote. Where the Bank is to adjust its profit distribution policy, the Board shall make a special discussion on that, elaborate on the reasons for the adjustment, formulate a written demonstration report and submit it to the general meeting for approval after it is reviewed by the independent non-executive Directors. The adoption of the underlying resolution is subject to affirmative votes representing at least two-thirds of the voting rights held by the Shareholders present at the general meeting. The Bank shall make internet voting accessible to Shareholders.

The Bank formulated and implemented the cash dividend policy in accordance with the requirements of laws and regulations and the Articles of Association, taking into account the Bank's actual situation and regulatory requirements. The decision-making procedures and mechanisms are well-established, in which the independent non-executive Directors have performed their duties and roles in good faith. Minority Shareholders have been given the opportunity to fully express their opinions and demands, and their legitimate rights and interests have been fully protected. During the Reporting Period, no adjustments or changes were made in cash dividend policy.

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2.2 Profit Distribution and Capitalization Issue

The Bank's 2020 Profit Distribution and Capitalization Issue Plan: After being considered and approved by the 2021 first extraordinary general meeting, 2021 second class meeting of the A Shareholders and 2021 second class meeting of the H Shareholders, the Bank issued one new Share for every 10 Shares by way of capitalization issue to A Shareholders whose names appeared on the register of Shareholders as at 17 December 2021 and H Shareholders whose names appeared on the register of Shareholders as at 15 December 2021, totaling 751,412,509 new Shares.

In 2021, net profit attributable to the parent company under the consolidated financial statements of the Bank audited by KPMG Huazhen LLP amounted to RMB3,226,192 thousand. In accordance with the requirements of the existing Accounting Standards for Business Enterprises and the Articles of Association, the audited net profit attributable to the parent company of the Bank amounted to RMB3,051,047 thousand; after deducting dividends on Offshore Preference Shares distributed on 18 October 2021 amounting to RMB470,209 thousand, the profit of the year available for distribution to Ordinary Shareholders amounted to RMB2,580,838 thousand. The proposed 2021 plan for profit distribution is as follows:

1. 10% of the net profit, equivalent to RMB305,105 thousand, will be appropriated as statutory surplus reserve.
2. RMB273,000 thousand will be appropriated as general risk reserves.
3. No cash dividends will be distributed this year, and no bonus shares or new shares will be issued by way of capitalization issue.
4. The remaining undistributed profit will be carried forward to next year.

The Bank did not recommend to distribute any cash dividends in 2021 after taking into account mainly the following factors: Firstly, economic development faced many challenges in 2021, especially the severe flood and the COVID-19 epidemic which had a material impact on the economic development of Henan Province. The Bank earnestly fulfilled its social responsibilities as a local financial institution and actively implemented national macro policies to support enterprises' resumption of production and post-disaster reconstruction. By lowering interest rates, reducing fees, and postponing repayment of loan principal and interest, the Bank continuously supported the real economy and thus its growth and revenue were affected to some extent. Secondly, with the increasing downward pressure on the economy and the continuous exposure of risks in recent years, the Bank continuously strengthened risk disposal, increased the provision for credit impairment losses, and followed regulatory guidance. The retained undistributed profits will further enhance the Bank's risk resilience and ensure the stable and sound operation of the Bank. Thirdly, given that the requirements under the capital regulatory policies have become increasingly stringent for commercial banks, replenishing capital through internal capital became increasingly important for small and medium banks to ensure capital adequacy, especially for core tier-one capital adequacy level. The retained undistributed profits will be used to replenish the Bank's core tier-one capital, which can help raise the Bank's capital adequacy level to support the Bank's strategic transformation as well as the healthy and sustainable development of various businesses, thereby creating a greater value for investors.

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The profit distribution plan will be proposed to the 2021 AGM for approval.

For details of the profit distribution of Offshore Preference Shares, please refer to the chapter headed “Issuance of Preference Shares” of this Report.

2.3 Dividend Tax

The tax implications of profit distribution of the Bank are as follows:

Distribution of Cash Dividends

A Shareholders

For individual Shareholders, according to the provisions of the Circular on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) 《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued by the MOF, the State Administration of Taxation and the CSRC, where an individual acquires the shares of a listed company from public offering of the company or from the stock market, for a holding period of not more than one month (inclusive), the dividends and bonuses paid on such shares shall be included into his taxable income in full amount; for a holding period of more than one month but not more than one year (inclusive), 50% of the dividends and bonuses paid on such shares shall be included into his taxable income; for a holding period of more than one year, the dividends and bonuses paid on such shares are temporarily exempted from individual income tax. The above income is subject to a uniform 20% tax rate for individual income tax. For Shareholders being securities investment funds, their dividend income shall also be subject to the above provisions.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

For Shareholders being resident enterprises, according to the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法》 (the "Corporate Income Tax Law"), dividends, bonuses and other equity investment income between eligible resident enterprises are tax-free income. According to the provisions of Article 83 of the Regulations on the Implementation of the Corporate Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法實施條例》, the "dividends, bonuses and other equity investment income between eligible resident enterprises" as mentioned in the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law refer to investment return received from a resident enterprise's direct investment in other resident enterprises, excluding the investment income obtained by continuously holding shares publicly issued and listed by resident enterprises for less than 12 months.

For non-resident enterprise Shareholders, according to the provisions of the Corporate Income Tax Law and the Regulations on the Implementation of the Corporate Income Tax Law, the dividend income obtained by non-resident enterprises shall be taxed at a reduced rate of 10%.

For Qualified Foreign Institutional Investors (QFII), according to the Circular of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Corporate Income Tax on Dividends, Bonus and Interest Paid by PRC Resident Enterprises to QFIIs (Guo Shui Han [2009] No. 47) 《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)), listed companies shall withhold and remit corporate income tax for QFIIs at a rate of 10%. QFII Shareholders who wish to enjoy tax treaty (arrangement) benefits may apply to the competent tax authority for tax benefits in accordance with the relevant provisions of the tax treaty, and the competent tax authority shall follow such provisions after verification thereof. Where tax refund is involved, an application for tax refund may be made to the competent tax authority in a timely manner after dividends and bonuses are obtained.

H Shareholders

For overseas non-resident enterprise Shareholders, pursuant to the applicable provisions of the Corporate Income Tax Law and its implementing regulations, the Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) 《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), and the letter "Tax Arrangements of Enterprises in Mainland China on Dividend Issuance to Hong Kong Residents" issued by the Hong Kong Stock Exchange, the Bank shall withhold and remit corporate income tax at a rate of 10% when distributing final dividends to non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

For overseas non-resident individual Shareholders, pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China 《中華人民共和國個人所得稅法》 and its implementing regulations as well as the Notice of the State Administration of Taxation on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the overseas resident individual Shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they are from and China as well as the taxation arrangement between the Mainland China and Hong Kong (Macao). An individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual Shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Generally, the Bank will withhold and remit individual income tax for H Shareholders in accordance with the above arrangements, but if the tax authorities require otherwise, the Bank will follow their requirements.

For tax issues concerning Shenzhen-Hong Kong Stock Connect, the provisions of the Circular on Taxation Policies Concerning the Pilot Program of a Mechanism for Mutual Stock Market Access Between Shenzhen and Hong Kong (Cai Shui [2016] No. 127) issued by the MOF, the State Administration of Taxation and the CSRC shall apply.

Capitalization Issue

Pursuant to the Notice of State Administration of Taxation in relation to the Capitalisation of Capital Reserve and the Levy of Individual Income Tax regarding the Distribution of Bonus Shares of Joint-Stock Enterprises (Guoshuifa [1997] No. 198) 《國家稅務總局關於股份制企業轉增股本和派發紅股徵免個人所得稅的通知》(國稅發[1997]198號)), the increase of share capital of joint-stock enterprises by way of capitalization issue does not belong to the distribution of dividends and bonuses. The shares obtained by individuals from the capitalization issue are not treated as individual income, and are exempted from individual income tax. As a result, there will be no levy of PRC taxation in respect of the issue of new shares under the capitalization issue and no relevant taxation will be withheld and paid.

Dealings in the new H Shares will be subject to the payment of stamp duty, the Hong Kong Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

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Distribution of Dividends on Offshore Preference Shares

Pursuant to the PRC tax laws and regulations, the Bank is required to withhold and remit corporate income tax at a rate of 10% when distributing dividends on Offshore Preference Shares to overseas non-resident enterprise Shareholders. Pursuant to the regulations of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on Offshore Preference Shares paid by the Bank.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares and Offshore Preference Shares of the Bank. The Bank will not take any responsibility for any taxation impact or liability of H Shareholders.

3 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

For details of the share capital and substantial Shareholders of the Bank, please refer to the chapter headed “Changes in Share Capital and Information on Shareholders” of this Report.

4 ISSUANCE OF DEBT SECURITIES

For details of the issuance of debt securities of the Bank, please refer to the paragraph headed “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” of this Report.

5 USE OF PROCEEDS

For details of the use of proceeds of the Bank, please refer to the chapter headed “Management Discussion and Analysis” of this Report.

6 RESERVES

Details of movements in the reserves of the Bank for the Reporting Period are set out in the consolidated statement of changes in Shareholders’ equity. The total reserve of distributable profit as at 31 December 2021 was RMB13,703 million.

7 PROPERTIES AND EQUIPMENT

Details of movements in properties and equipment of the Bank are set out in Note 22 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

8 CONNECTED TRANSACTIONS

In the ordinary and usual course of business, the Bank offers commercial banking services and products to the public in China, including certain connected persons of the Bank such as the Shareholders, Directors, Supervisors, president and/or their respective associates. Pursuant to the Hong Kong Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempt from the reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the 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 International Accounting Standard, and its interpretations by the International Accounting Standards Board. Some of the Bank's related party transactions also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none of them constitutes a disclosable connected transaction as defined under the Hong Kong Listing Rules.

9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

10 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of the Directors or Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with that of the Bank.

11 REMUNERATION OF THE DIRECTORS AND SUPERVISORS, AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors are set out in the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report. Retirement benefits offered by the Bank to employees are set out in Note 32(a) to the financial statements in the chapter headed "Independent Auditor's Report" of this Report. Details of the remuneration of the top five highest-paid individuals are set out in Note 10 to the financial statements in the chapter headed "Independent Auditor's Report" of this Report.

12 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into a service contract with the Bank which was not determined by the Bank within one year without payment of compensation (other than statutory compensation).

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

13 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive officer in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 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 Companies in Appendix 10 to the Hong Kong Listing Rules were set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all Ordinary Shares in issue (%)
WANG Tianyu	Director	A Shares	Beneficial owner	63,143	0.00098	0.00076
SHEN Xueqing	Director and president	A Shares	Beneficial owner	55,000	0.00086	0.00067
XIA Hua	Director	A Shares	Beneficial owner	51,150	0.00080	0.00062
JI Hongjun	Director	A Shares	Beneficial owner	1,870	0.00003	0.00002
WANG Shihao	Director	A Shares	Beneficial owner	22,000	0.00034	0.00027
ZHAO Lijuan	Supervisor	A Shares	Beneficial owner	58,850	0.00092	0.00071
ZHU Zhihui	Supervisor	A Shares	Interest of controlled corporation ^(note)	350,846,233	5.45745	4.24469
LI Huaibin	Supervisor	A Shares	Beneficial owner	22,000	0.00034	0.00027
CHEN Xinxiu	Supervisor	A Shares	Beneficial owner	47,300	0.00074	0.00057

Note: 350,846,233 A Shares are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% and 10% by Mr. ZHU Zhihui, a Supervisor of the Bank, and his spouse Ms. WANG Linhui, respectively. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

Save as disclosed above, none of the Directors, Supervisors or chief executive held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations as at the end of the Reporting Period.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

14 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

15 THE BANK'S LOANS TO ENTITIES

During the Reporting Period, the Bank did not provide any entity with loans that shall be disclosed under Rule 13.13 of the Hong Kong Listing Rules.

16 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and/or Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

17 MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

18 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries had not purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

19 CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As at the end of the Reporting Period, the Bank had not issued or granted any convertible securities, options, warrants or other similar rights, and there had been no exercise of conversion or subscription rights over the convertible securities, options, warrants or other similar rights issued or granted by the Bank at any time.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

20 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Hong Kong Listing Rules. The Bank does not have a controlling Shareholder or de facto controller, nor has it entered into any loan agreement with covenants relating to specific performance of the controlling Shareholder or breached the terms of any loan agreement.

21 PRE-EMPTIVE RIGHTS

During the Reporting Period, the Bank did not have provisions in respect of pre-emptive rights under the Articles of Association and according to the relevant provisions of the PRC laws and regulations.

22 DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate sum of approximately RMB7,579,400.

23 EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than Offshore Preference Shares, the Bank neither had nor entered into any equity-linked agreements.

Upon approval by the CBIRC Henan Office and the CSRC, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million on 18 October 2017 through a private offering on the overseas market. Pursuant to regulations including the Measures on Capital Management of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》 and the Trial Administrative Measures on Preference Shares 《優先股試點管理辦法》, a commercial bank shall set up the provisions of coercive conversion of preference shares into Ordinary Shares, under which the commercial bank shall convert the preference shares into Ordinary Shares as contractually agreed in case of a trigger event. Such trigger event happens when the common equity tier 1 capital adequacy ratio has fallen to 5.125% (or below) and when the CBIRC determines that the bank will not be able to exist if shares of the bank are not transferred or written down, or when relevant regulators determine that the bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which Offshore Preference Shares shall be coercively converted into H Shares. If such trigger events happen to the Bank and all Offshore Preference Shares need to be coercively converted into H Shares in accordance with their initial conversion price, the total amount of the Offshore Preference Shares which would be converted into H Shares will not exceed 1,719,533,921 H Shares. During the Reporting Period, the Bank did not experience any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

24 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank takes effective measures to safeguard the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into labor contracts with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the “Administrative Measures on Salary and Welfare”, under which it paid employees full salaries on time, contributed various social insurance and housing provident fund in time and built a multi-level pension and medical security system. Assuming the responsibility of protecting the vital interests of employees, the Bank establishes a care-giving relief fund, regularly arranges for employees to receive health check-ups, and purchases mutual insurance for accidental injury and critical illness insurance for employees. The Bank also keeps helping employees to enhance their value through enhancing position system for smooth career development path and providing them with a wide range of professional training.

The Bank adheres to a customer-oriented approach, promotes service etiquette and knowledge, and promotes standard services at outlets to continuously improve customers’ financial experience. To protect consumer rights, the Bank integrated the concept and requirements of consumer protection into its systems and established a consumer rights protection system involving consumer services, information privacy, education on financial knowledge, and customer complaints handling. The Bank pays attention to communication with customers. It keeps in touch with customers through letters, telephone, fax, direct visits, the internet and other forms of communication channels, provides customers with round-the-clock telephone banking services in China through the unified customer service telephone line, and offers online customer service to provide customers with intelligent online services.

Adhering to the principles of openness, fairness and impartiality, the Bank selects suppliers by means of bidding and other similar forms, and maintains good communication and cooperation with various suppliers.

25 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and the Directors have been aware of, the Bank has complied with the public float requirements under the Hong Kong Listing Rules.

26 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Bank strictly abided by the code provisions of the Corporate Governance Code and the relevant Hong Kong Listing Rules on disclosure of inside information. Details of corporate governance of the Bank are set out in the chapter headed “Corporate Governance” of this Report.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

27 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank. 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 do not have any interest in the above five largest depositors/borrowers.

28 PERMITTED INDEMNITY PROVISION

According to code provision A.1.8 (which has been renumbered as code provision C.1.8 of the Corporate Governance Code since 1 January 2022) of the Corporate Governance Code, the Bank shall maintain appropriate insurance to cover the potential litigation initiated against the Directors. According to the Articles of Association, unless Directors, Supervisors and senior management personnel are proved to have failed to perform their duties honestly or in good faith, the Bank shall, to the fullest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations, assume civil liabilities incurred by Directors, Supervisors and senior management personnel during their performance of duties. The Bank has purchased appropriate liability insurance for the Directors and provided them with an indemnity for liabilities incurred during the operations of the Bank for the Reporting Period.

29 OTHER MATTERS

As far as the Board is aware, the Bank has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Bank in all material respects. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. For details, please refer to the 2021 Corporate Social Responsibility Report published on the websites of CNINFO and Hong Kong Stock Exchange on 30 March 2022 by the Bank.

CHAPTER VII REPORT OF THE BOARD OF DIRECTORS

During the Reporting Period, the Bank was not aware of any Shareholders having waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Directors of the Bank did not waive or agreed to waive relevant remuneration arrangement.

During the Reporting Period, the Bank had not pledged any significant assets.

During the Reporting Period, the Bank had no controlling Shareholder or de facto controller. As a result, the Bank did not have any controlling Shareholder pledging the Bank's shares to secure the Bank's debts or to secure guarantees or other support of the Bank's obligations.

As at the Latest Practicable Date, save as disclosed in this Report, there were no other significant subsequent events of the Bank requiring disclosure.

By order of the Board
Bank of Zhengzhou Co., Ltd.
WANG Tianyu
Chairman

30 March 2022

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank was dedicated to performing its duties diligently based on its responsibility to the Shareholders and employees in accordance with the Company Law, Commercial Banks Law, the Articles of Association and the requirements of the rules and regulations to the Board of Supervisors, and formed a relatively complete supervisory system covering the supervision over meetings, financial affairs, strategies, internal control and performance assessment, which was a positive driving force for steady business development, enhancement of risk control and improvement of the corporate governance structure of the Bank.

1 MAJOR WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors attended all the meetings and activities of the “Three Boards and one Management” of the Bank. The Board of Supervisors convened eight meetings in total and nomination committee and supervision committee of the Board of Supervisors convened seven meetings and three meetings respectively to consider 33 resolutions concerning business operation, internal control, corporate governance and performance assessment of the Directors and the Supervisors and review 49 reports concerning internal audit, related party transactions and risk management. Members of the Board of Supervisors attended the general meetings and were present at all the on-site meetings of the Board, and supervised the compliance with laws and regulations in relation to the convening of the general meetings and Board meetings, voting procedures, and the Directors’ attendance, opinions expressed and voting at the general meetings and Board meetings. Members of the Board of Supervisors attended and presented at various meetings and activities to obtain information on the operations management of the Bank in all aspects in a timely manner, thereby substantially consolidating their supervision functions. The Board of Supervisors had no objection to the supervisory affairs during the Reporting Period.

The seventh session of the Board of Supervisors consists of six Supervisors (three employee representative Supervisors, one Shareholder representative Supervisor and two external Supervisors). Each of the supervisory committee and the nomination committee has three members, respectively, and is chaired by an external Supervisor, thus satisfying the regulatory requirements of the composition and proportion of members of the Board of Supervisors.

During the Reporting Period, the external Supervisors actively acquainted themselves with the operations management of the Bank, and gave opinions or suggestions on significant matters by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors, being present at the Board meetings, participating in collective investigations at the branch level conducted by the Board of Supervisors and conducting independent investigations. During the adjournment of the Board of Directors and the Board of Supervisors, the external Supervisors were able to review various documents and reports of the Bank and exchange opinions with the Board of Directors and management on any problems found in a timely manner, playing an active role in performing the supervisory duties of the Board of Supervisors.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

Performance of Duties by the Board of Directors and Senior Management and Its Members

The Board of Supervisors completed the 2020 report of performance assessment of the Board of Directors, senior management and its members as required and reported the performance assessment results to the general meetings and regulatory authorities. The Board of Supervisors was of the view that the Board of Directors and senior management performed their duties according to the Company Law, Commercial Banks Law and the Articles of Association and gave full play to their strategic leadership functions to facilitate the Bank to achieve quality development. The senior management continued to improve their capability of implementing strategic decisions, established and finalized various measures, ensuring the smooth completion of various jobs throughout the year. The Board of Supervisors will conduct the 2021 annual assessment on the performance of duties by the Board, senior management and its members as required, and report the assessment results to the general meeting and regulatory departments.

Compliance with Laws and Regulations in Operations

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, Commercial Banks Law and the Articles of Association, and the decision-making process was legitimate and effective. The Directors and senior management were honest, trustworthy, diligent and conscientious. No acts in violation of laws and regulations and the Articles of Association or detrimental to the interests of the Bank and Shareholders were found in the performance of duties by the Directors and senior management of the Bank during the year.

Truthfulness of Financial Report

Upon careful review of the 2021 annual report of the Bank by all Supervisors in a practical and responsible manner to all Shareholders, the Board of Supervisors was of the view that procedures for the preparation of the 2021 annual report by the Board complied with the laws, administrative regulations and requirements of the CSRC; the contents of the report truthfully, accurately and completely reflected the actual situation of the Bank; and there were no false representations, misleading statements or material omissions contained therein.

Related Party Transactions

During the Reporting Period, the Board of Supervisors supervised the related party transactions, and considered that the prices of the related party transactions of the Bank were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

Internal Control

The Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank had been carried out smoothly, complied with the relevant standard requirements of laws and regulations on the management of corporate internal control systems, and completely, truthfully and objectively reflected the establishment and operation of the internal control system of the Bank. The Board of Supervisors reviewed the 2021 Internal Control Self-Assessment Report of the Bank and had no objection to its contents.

Implementation of Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors supervised the implementation of the resolutions of general meetings, and considered that the Board was capable of earnestly implementing the relevant resolutions of general meetings and did not take any action detrimental to the interests of Shareholders.

Profit Distribution Proposal

The Board of Supervisors reviewed the 2021 Profit Distribution Proposal of the Bank, and considered that the proposal complied with the relevant requirements of laws, regulations and the Articles of Association, factored in the current situation of economic development and financial regulation, and was in the long-term interests of the Bank and Shareholders as a whole and beneficial to the sustainable and healthy development of the Bank.

Dividend Distribution Plan for Preference Shares

During the Reporting Period, the dividend distribution plan for preference shares of the Bank complied with the relevant requirements of laws, regulations, the Articles of Association and the issuance terms or provisions of preference shares.

CHAPTER VIII REPORT OF THE BOARD OF SUPERVISORS

Information Disclosure Matters

During the Reporting Period, the Board of Supervisors oversaw the information disclosure matters of the Bank and was of the opinion that: the Bank had established a sound system for the management of information disclosure matters and had fulfilled its information disclosure duties in compliance with the provisions of relevant laws and regulations and regulatory requirements. The contents of disclosure are truthful, accurate and complete without any false representation, misleading statement or material omission.

Save as disclosed above, the Board of Supervisors had no objection to other supervisory affairs during the Reporting Period.

By order of the Board of Supervisors
Bank of Zhengzhou Co., Ltd.
ZHAO Lijuan
Chairwoman of the Board of Supervisors

30 March 2022

CHAPTER IX SIGNIFICANT EVENTS

1 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds (Bonds code: 1620066), whose date of value was 21 December 2016, in an amount of RMB3 billion in the national interbank bond market on 19 December 2016, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.10%. The Bank has redeemed the bonds on 21 December 2021.

The Bank issued the tier II capital bonds (Bonds code: 1720014), whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the 2019 Phase I of green financial bonds (Bonds code: 1920043), whose book-building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds 《綠色金融債券支持項目目錄》 formulated by the Green Finance Committee of China Society of Finance & Banking.

Jiuding Financial Leasing Company, a subsidiary of the Bank, issued financial bonds (Bonds code: 2022047) which value date was 24 November 2020, in an aggregate amount of RMB1.4 billion in the national interbank bond market on 20 November 2020. These bonds are 3-year fixed-rate bonds with a coupon rate of 4.20%.

The Bank issued the 2021 Innovative and Entrepreneurial Financial Bonds (Bonds code: 2120070), whose book-building was recorded in the national interbank bond market, in an amount of RMB5 billion on 19 August 2021. These bonds are 3-year fixed-rate bonds with a coupon rate of 3.16%. The proceeds from the issuance of the bonds were specially used for supplying credit to the innovation and entrepreneurship field.

The Bank issued indefinite-term capital bonds (Bonds code:2120100), whose book-building was recorded in the national interbank bond market between 11 November 2021 and 12 November 2021, in an amount of RMB10 billion. The coupon rate is 4.80% for the first 5 years subject to adjustment on a 5-year basis. The Bank shall have the conditional issuer redemption right on each value date of the fifth year and beyond.

CHAPTER IX SIGNIFICANT EVENTS

2 PERFORMANCE OF UNDERTAKINGS

2.1 Undertakings Fully Performed by the Bank's de facto Controller, Shareholders, Related Parties, Purchasers and the Bank during the Reporting Period and Undertakings Not Fully Performed as at the End of the Reporting Period

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, Zhengzhou Finance Bureau shall not transfer or entrust others to manage the issued Shares of the Bank held by it before this round of issue, and shall not allow the Bank to repurchase such Shares; if the closing price of the Shares issued in this round by the Bank is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by Zhengzhou Finance Bureau shall be automatically extended by six months.</p> <p>If it intends to reduce its shareholdings within two years after the expiry of the share lockup period, the annual reduced shareholdings shall be no more than 5% of the number of shares held by it; if it intends to reduce its shareholdings two years after the expiry of the share lockup period, the number of reduced shareholdings will be announced three trading days before it reduces its shareholding, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares (if there is any dividend distribution, bonus issue of shares, capitalization of capital reserve, share placing, share subdivision and other ex-rights and ex-dividend events of the Bank's shares, the selling price will be adjusted accordingly by ex-rights and ex-dividend).</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

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Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Shareholders in aggregate holding more than 51% of the Shares (Zhengzhou Finance Bureau excluded) (please refer to the relevant content of the Prospectus of the Shares (A Shares) of the IPO of the Bank for detailed list)	Undertaking on shares with selling restrictions	Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, these Shareholders shall not transfer or entrust others to manage the issued Shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such Shares.	19 September 2018	Refer to the details of the undertakings	Completion of performance
Undertakings made in initial public offering of A Shares	Directors, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>After the expiry of the lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually during the term of office, and no more than 50% of the total number of the Shares held by them within five years, they shall not repurchase in six months after selling their shares or resell in six months after purchasing Shares; they shall not transfer the Shares of the Bank held by them within six months after they leave office.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER IX SIGNIFICANT EVENTS

Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>If the closing price of the A Shares of the initial public offering of the Bank on the SZSE is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's Shares held by them shall be automatically extended by six months. During the extended lockup period, they shall not transfer or entrust others to manage the issued Shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such Shares.</p> <p>If the Shares are reduced within two years after the expiry of the lockup period, the selling price shall be no less than the issue price of the initial public offering of the Bank's A Shares.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff Shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the Shares of the Bank of Zhengzhou held by them.</p> <p>After the expiry of the above three-year Shares transfer lockup period, they shall transfer no more than 15% of the total number of the Shares held by them annually, and no more than 50% of the total number of the Shares held by them within five years.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Additional Shareholders of the Bank during the Reporting Period	Undertaking on shares with selling restrictions	Within 36 months since the date of the initial public offering of the Bank's A Shares on the SZSE, these Shareholders shall not transfer or entrust others to manage the issued Shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such Shares.	19 September 2018	Refer to the details of the undertakings	Completion of performance

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Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	The Bank, Zhengzhou Finance Bureau, all Directors (independent non-executive Directors excluded) of the Bank and senior management personnel	Undertakings on the price stabilization	They will strictly observe and execute the "Price Stabilization Plan for A Shares" considered and approved at the general meeting of the Bank and perform the obligations of stabilising the Share price of the Bank according to the requirements of such plan. Please refer to the relevant content of the prospectus of the Shares (A Shares) of the initial public offering of the Bank for the conditions triggering the implementation of the price stabilization measures and specific measures to maintain stable share price.	19 September 2018	Refer to the details of the undertakings	Completion of performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertakings on avoiding horizontal competition	During the period for being a major Shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of the CSRC and the stock exchanges where the Bank's Shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the Shareholder's rights and perform the Shareholder's obligations as equally as other Shareholders, and neither seek unfair interest by use of the position of major Shareholder, nor impair the legal interests of the Bank and other Shareholders.	19 September 2018	Refer to the details of the undertakings	During the course of performance

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Undertaking	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in non-public offering of A Shares	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 18 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Undertaking on shares with selling restrictions	It shall not transfer Shares under non-public issuance of the Bank within 60 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	During the course of performance
Undertakings made in non-public offering of A Shares	23 targets of the non-public issuance including Zhengzhou Gaoxin Investment Holding Group Co., Ltd. (鄭州高新投資控股集團有限公司)	Undertaking on shares with selling restrictions	They shall not transfer Shares under non-public issuance of the Bank within 6 months since the date of the listing thereof.	27 November 2020	Refer to the details of the undertakings	Completion of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

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2.2 Existence of the Profit Forecast about Assets or Projects, and the Reporting Period Was Still in the Profit Forecast Period, the Bank's Explanation on the Profit of Assets or Projects Reaching the Goal and the Reasons

There was no existence of the profit forecast about assets or projects nor the Reporting Period was still in the forecast period for the Bank.

3 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders 《商業銀行與內部人和股東關聯交易管理辦法》, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank relentlessly improved its regulations such as Administrative Measures of Related Party Transactions, continuously enhanced technological support for management of related party transactions, and prudently carried out related party transactions to effectively prevent related party transaction risks. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the fair and market-oriented principles and as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

3.1 Related Shareholders Directly or Indirectly Holding 5% or more of the Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organization type	Registered capital	Legal representative	Principal business	Change(s) during the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government department	N/A	N/A	N/A	Nil
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability	RMB3.51 billion	LIANG Songwei	Investment and management of state-owned assets, real estate development and sale; house leasing.	Nil

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3.2 Significant Related Party Transaction

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》) and the Administrative Measures for Related Party Transactions of the Bank, related party transactions are defined as follows:

A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction constituting no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction constituting more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party continuously within 12 months; if the transaction is a credit-grant-type one, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit-grant-type and credit-grant-type, the transaction amount shall be calculated on an aggregate basis. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organizations and the Bank, the transactions between the legal persons or other organizations constituting a group client together with the legal person related party and the Bank shall be aggregated.

3.3 Related Party Transactions

During the Reporting Period, in strict compliance with the requirements of the Company Law and the SZSE Listing Rules, the Bank conducted recurring related party transactions within the estimated quota on recurring related party transactions as approved by the general meeting. The details of such transactions are set out in the following table. Apart from such transactions as listed below, the Bank conducted no other significant transactions that met the above requirements.

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3.3.1 Related party transactions of corporation credit grant type

Unit: RMB' 000

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Actual credit granted
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	3,700,000	3,431,500	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司) Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	700,000 1,470,500 600,000 661,000
2	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its related parties	1,000,000	421,000	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	421,000
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	450,000	450,000	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) Henan Kanghui Cement Products Co., Ltd. (河南康暉水泥製品有限公司)	238,000 212,000

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Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Actual credit granted	
				Related legal persons	
4	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	3,200,000	2,550,000	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	1,000,000
				Dahe International Trading Co., Ltd. (大河國際貿易有限公司)	100,000
				Henan Li'an Industry Co., Ltd. (河南省立安實業有限責任公司)	10,000
				Henan Natural Gas Pipeline Network Kaizhou Co., Ltd. (河南省天然氣管網開周有限公司)	500,000
				Henan Anciai Photovoltaic Advanced Material Co., Ltd. (河南安彩光伏新材料有限公司)	50,000
				Luohe Big Data Operation Co., Ltd. (漯河市大數據運營有限公司)	380,000
				Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司)	260,000
				Henan City Development & Investment Co., Ltd. (河南城市發展投資有限公司)	150,000
				Henan Development Gas Co., Ltd. (河南省發展燃氣有限公司)	100,000
				5	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程 集團有限公司) and its related parties
Zensun Enterprises Limited (正商實業有限公司)	378,567				
Henan Zensun Zhongyue Real Estate Company Limited (河南正商中岳置業有限公司)	300,000				

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Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Actual credit granted
6	Henan Huida Jiarui Real Estate Co., Ltd. (河南輝達嘉睿置業有限公司) and its related parties	3,300,000	2,944,910	Zhengzhou Huida Industrial Development Co., Ltd. (鄭州輝達實業發展有限公司) Henan Huida Construction Investment Co., Ltd. (河南輝達建設投資有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司) Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司) Henan Kairui Real Estate Co., Ltd. (河南凱睿置業有限公司) Likard (Zhengzhou) Hotel Management Co., Ltd. (麗卡德(鄭州)酒店管理有限公司) Henan Jianyuan Decoration Engineering Co., Ltd. (河南建苑裝飾工程有限公司)	497,500 1,029,410 149,000 135,000 524,000 270,000 190,000 150,000
7	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業 投資有限公司) and its related parties	3,500,000	2,570,500	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司) Henan Digital Town Development and Construction Co., Ltd. (河南數字小鎮開發建設有限公司)	900,000 990,000 280,500 400,000

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Number	Related client	Estimated quota on recurring related party transactions	Actual total		Actual credit granted
			credit granted	Related legal persons	
8	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	1,200,000	500,000	Henan Asset Management Company Limited (河南資產管理有限公司)	500,000
9	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000
10	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司)	2,000,000	2,000,000	Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司)	2,000,000
11	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000	1,500,000	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	1,500,000

3.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions	
		Actual total credit granted	Actual total credit granted
1	Jiuding Financial Leasing Company	4,500,000	4,500,000
2	Fugou Zhengyin County Bank	400,000	200,000
3	Xinmi Zhengyin County Bank	400,000	200,000
4	Xunxian Zhengyin County Bank	400,000	200,000
5	Queshan Zhengyin County Bank	400,000	200,000
6	Zhongmu Zhengyin County Bank	400,000	200,000
7	Yanling Zhengyin County Bank	400,000	200,000
8	Xinzheng Zhengyin County Bank	400,000	400,000

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3.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB125,716,700, which did not exceed the limit of RMB300 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2021.

3.3.4 Other Related Party Transactions

A total of RMB217,950,000 of non-performing credit assets was transferred to Henan Asset Management Company Limited (河南資產管理有限公司); a total of service transaction amount such as trust custody and supervision fees of RMB1,903,800 was provided to Bridge Trust Co., Ltd. (百瑞信託有限責任公司); a total of service transaction amount such as trust custody and supervision fees of RMB172,683,400 was provided to Zhongyuan Trust Co., Ltd. (中原信託有限公司). The largest single transaction of financial market transactions with open market price such as spot bond trading and pledge-style repo with each of the Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司), the Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司), Central China Securities Co., Ltd. (中原證券股份有限公司), Great Wall Fund Management Co., Ltd. (長城基金管理有限公司), Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司), and Green Fund Management Co. Ltd. (格林基金管理有限公司) amounted to RMB700,000,000, RMB1,000,000,000, RMB194,032,200, RMB322,920,000, RMB500,000,000, RMB50,570,700 and RMB70,038,200 respectively. None of the above transactions exceeded the estimated quota on recurring related party transactions for 2021.

4 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

4.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

4.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the PBOC and the CBIRC.

CHAPTER IX SIGNIFICANT EVENTS

4.3 Entrust Others to Manage Cash Assets

4.3.1 Entrusted wealth management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

4.3.2 Entrusted Loans

During the Reporting Period, the Bank had no entrusted loans beyond its normal business scope.

4.4 Material Contracts in Day-to-day Operations

During the Reporting Period, save as disclosed in this Report and other announcements and circulars of the Bank, the Bank did not have other material contracts in day-to-day operations that are required to be disclosed.

4.5 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report, other announcements and circulars of the Bank.

5 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

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6 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2020 over a financial loan contract dispute with Zhengzhou Sino-Crystal Diamond Co., Ltd. (鄭州華晶金剛石股份有限公司) and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance was received in September 2020. As the defendant did not appeal within the statutory time limit, the judgment of the first instance came into force. Zhengzhou Intermediate People's Court of Henan Province lawfully prescribed the termination of the enforcement procedures and ruled that the defendant shall be obliged to continue to perform the debts. The Bank has disposed of qualified non-performing loans including such claim involved by way of batch transfers. For details, please refer to the announcements dated 11 August 2020, 21 September 2020 and 26 January 2022 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Jinshui East Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2020 over a financial loan contract dispute with Henan Tianying Group Co., Ltd. and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance was received in September 2020. After the judgment was made, as none of the defendants appealed within the statutory time limit, the judgment of the first instance came into force. The Bank has applied to Zhengzhou Intermediate People's Court of Henan Province for enforcement in March 2021. As the non-performing loan involved in the lawsuit met the conditions for write-off as a bad debt, the Bank has written it off in December 2021. For details, please refer to the announcements of the Bank dated 14 August 2020 and 28 September 2020 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank's Minzhu Road Sub-branch filed a lawsuit with Zhengzhou Intermediate People's Court of Henan Province in August 2021 over a financial loan contract dispute with Henan Changkun Real Estate Co., Ltd. (河南長坤置業有限公司) and other parties. The court formally accepted the case and commenced a court session for hearing it. The judgment of the first instance has not been received as at the end of the Reporting Period. For details, please refer to the announcement of the Bank dated 31 August 2021 published on CNINFO and the website of the Hong Kong Stock Exchange.

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the amount of other pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB1,110 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB2 million. These litigation and arbitration matters are not expected to have material adverse impacts on the financial position and operating results.

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7 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK'S SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank and its Directors, Supervisors, senior management and Shareholders holding more than 5% of its Shares was investigated by competent authorities, subject to compulsory measures, transferred to judicial authorities or investigated for criminal responsibility by judicial or discipline inspection departments, filed for investigation or subject to administrative punishment or administrative supervision measures by the CSRC, or subject to disciplinary measures by any stock exchange. The Bank was not subject to any punishment by other regulatory authorities which had a material impact on the Bank's operation.

8 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank had no controlling Shareholders or de facto controllers. During the Reporting Period, the Bank and its biggest Shareholder had no failure to execute an effective court judgment, or any large amount of due outstanding debts.

9 ILLEGAL PROVISION OF EXTERNAL GUARANTEE

During the Reporting Period, the Bank did not provide any external guarantee in violation of laws.

10 OCCUPATION OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no occupation of capital of the Bank by the controlling Shareholder and other related parties for non-operating purposes.

11 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the PBOC and CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of notice Zhengjianfa [2003] No.56 issued by the CSRC and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling Shareholder or other related parties of the Bank.

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12 IMPLEMENTATIONS OF SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

13 SUSPENSION IN TRADING OR DELISTING UPON DISCLOSURE OF THIS REPORT

The Bank is not exposed to any risk of suspension in trading or delisting upon disclosure of this Report.

14 MATTERS RELATED TO BANKRUPTCY AND RESTRUCTURING

There was no matter related to bankruptcy or restructuring of the Bank during the Reporting Period.

15 AUDIT REVIEW

The financial statements for the year ended 31 December 2021 were prepared by the Bank according to the Accounting Standards for Business Enterprises of the PRC/International Financial Reporting Standards and were audited by KPMG Huazhen LLP/KPMG, respectively, which issued a standard unqualified audit report/independent auditor's report. The Report has been reviewed by the Audit Committee of the Board and the Board of Directors of the Bank.

16 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

17 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Bank of Zhengzhou Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 226 to 373, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and advances to customers, lease receivables and financial investments measured at amortised cost	
<i>Refer to note 18, Loans and advances to customers, 19(c), Financial investments measured at amortised cost and 20, Lease receivables to the consolidated financial statements and the accounting policies in note 2(6), Financial instruments.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss (“ECL”) model to measure the loss allowance in accordance with International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”).</p> <p>The determination of loss allowance using the ECL model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.</p>	<p>Our audit procedures to assess ECL for loans and advances to customers, lease receivables and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> with the assistance of KPMG’s IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers, lease receivables and financial investments measured at amortised cost, the credit risk staging process and the measurement of ECL; with the assistance of KPMG’s financial risk specialists, assessing the appropriateness of the ECL model used by management in determining loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments, and assessing the appropriateness of related key management judgement;

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and advances to customers, lease receivables and financial investments measured at amortised cost	
<i>Refer to note 18, Loans and advances to customers, 19(c), Financial investments measured at amortised cost and 20, Lease receivables to the consolidated financial statements and the accounting policies in note 2(6), Financial instruments.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>In particular, the determination of the loss allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL for corporate loans and advances, lease receivables and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The ECL for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p> <p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral, and other repayment sources of the borrower. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral.</p>	<ul style="list-style-type: none"> for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters and considered the consistency of judgement; comparing the macro-economic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development; assessing the completeness and accuracy of data used in the ECL model. For key internal data, we compared the total balance of the loans and advances, lease receivables and financial investments' list used by management to assess the ECL with the general ledger to check the completeness of the data. We also selected samples to compare individual loan, receivable and investment information with the underlying agreements and other related documentation to assess the accuracy of the data. For key external data, we selected samples to inspect the accuracy of such data by comparing them with public resources.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and advances to customers, lease receivables and financial investments measured at amortised cost	
<p><i>Refer to note 18, Loans and advances to customers, 19(c), Financial investments measured at amortised cost and 20, Lease receivables to the consolidated financial statements and the accounting policies in note 2(6), Financial instruments. Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i></p>	
The Key Audit Matter	How the matter was addressed in our audit
<p>We identified the measurement of ECL of loans and advances to customers, lease receivables and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the overdue information of loans and advances to customers and financial investments;

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and advances to customers, finance lease receivables and financial investments measured at amortised cost	
<p><i>Refer to note 18, Loans and advances to customers, 19(c), Financial investments measured at amortised cost and 20, Lease receivables to the consolidated financial statements and the accounting policies in note 2(6), Financial instruments.</i></p>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> evaluating the reasonableness of management's assessment on whether the credit risk of the loans and advances, lease receivables and financial investments measured at amortised cost has, or has not, increased significantly since initial recognition and whether the asset is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked the overdue information of loans, receivables and investments, made enquiries of the credit managers about the borrowers' business operations, checked borrowers' financial information and researched market information about borrowers' businesses, to check the credit risk status of the borrower, and the reasonableness of the asset's credit risk stage;

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and advances to customers, lease receivables and financial investments measured at amortised cost	
<i>Refer to note 18, Loans and advances to customers, 19(c), Financial investments measured at amortised cost and 20, Lease receivables to the consolidated financial statements and the accounting policies in note 2(6), Financial instruments.</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> evaluating the reasonableness of loss given default for selected samples of loans and advances, lease receivables and financial investments measured at amortised cost that are credit-impaired, by checking the financial situation of the borrower, the security type, the seniority of the claim, the recoverable amount of collateral and other repayment sources of the borrower. We also assessed the appropriateness of the management's valuation on the collaterals by comparing with the market price, evaluated the timing and means of realisation of collateral, also the viability of the Group's recovery plans. based on the above work, we selected samples of loans and advances, lease receivables and financial investments measured at amortised cost, to verify the calculation accuracy of credit losses by using the ECL model; and assessing the reasonableness of the disclosures in relation to expected credit losses for loans and advances, lease receivables and financial investments measured at amortised cost against prevailing accounting standards.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Fair value of financial instruments	
<p><i>Refer to note 19(a), Financial investments at fair value through profit or loss, 19(b), Financial investments at fair value through other comprehensive income, and 41, Fair value to the consolidated financial statements and the accounting policies in note 2(6) Financial instruments.</i></p>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs are involved in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • assessing the design, implementation and operating effectiveness of key internal controls over the model approval, valuation, independent price verification, front office and back office reconciliations and model validation for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; • for level 2 and level 3 financial instruments, on a sample basis, involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate with reference to the prevailing accounting standards. Our procedures included: comparing management valuation with our valuation method, obtaining inputs independently and verifying the inputs, developing parallel models and comparing our valuation results with that of the Group;

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Fair value of financial instruments	
<i>Refer to note 19(a), Financial investments at fair value through profit or loss, 19(b), Financial investments at fair value through other comprehensive income, and 41, Fair value to the consolidated financial statements and the accounting policies in note 2(6) Financial instruments. (continued)</i>	
The Key Audit Matter	How the matter was addressed in our audit
We identified the fair value of financial instruments as a key audit matter because of the financial instruments measured at fair value are material to the Group, and the degree of complexity involved in the valuation techniques and the degree of judgement exercised by management in determining the inputs used in the valuation models.	<ul style="list-style-type: none"> assessing the reasonableness of the disclosures in relation to fair value of financial instruments against prevailing accounting standards.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Consolidation of structured entities	
<i>Refer to note 43, Structured entities to the consolidated financial statements and the accounting policies in note 2(3), Consolidated financial statements.</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to a structured entity through issuing a wealth management product, or act as an investor to a structured entity through investing in an asset management plan, a trust plan or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • Understanding and assessing the effectiveness of design and implementation of key internal controls over the consolidation of structured entities; • selecting significant structured entities of each key product type and performing the following procedures for each entity selected: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

CHAPTER X INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Consolidation of structured entities (continued)	
<i>Refer to note 43 to the consolidated financial statements and the accounting policies in note 2(4) and 2(19).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2021, the carrying amount of the Group's non-equity interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB89,125 million whilst (31 December 2020: RMB121,041 million), the amounts of assets held by structured entities sponsored by the Group which the Group did not consolidate but in which it held an non-equity interest was RMB47,973 million (31 December 2020: RMB49,054 million).</p> <p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated financial statements and relevant regulatory capital requirements could be significant.</p>	<ul style="list-style-type: none"> - inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; - reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; and - assessing management's judgement over whether the structured entity should be consolidated or not; and • assessing the reasonableness of the disclosures in relation to structured entities against prevailing accounting standards.

CHAPTER X INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

CHAPTER X INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

CHAPTER X INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pang Shing Chor Eric.

KPMG

Certified Public Accountants

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

30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Interest income		25,565,082	23,893,143
Interest expense		(13,616,211)	(12,653,981)
Net interest income	3	11,948,871	11,239,162
Fee and commission income		1,408,779	1,936,601
Fee and commission expense		(167,195)	(206,615)
Net fee and commission income	4	1,241,584	1,729,986
Net trading gains	5	687,874	368,339
Net gains arising from investments	6	870,283	1,187,922
Other operating income	7	62,293	54,260
Operating income		14,810,905	14,579,669
Operating expenses	8	(3,566,573)	(3,417,780)
Impairment losses on assets	11	(7,263,030)	(7,184,457)
Operating profit		3,981,302	3,977,432
Share of profits of associates	21	6,836	35,035
Profit before taxation		3,988,138	4,012,467
Income tax expense	12	(590,182)	(691,596)
Profit for the year		3,397,956	3,320,871
Net profit attributable to:			
Equity shareholders of the Bank		3,226,192	3,167,567
Non-controlling interests		171,764	153,304
		3,397,956	3,320,871

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	2021	2020
Profit for the year		3,397,956	3,320,871
Other comprehensive income:			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Change in fair value/credit losses from debt investments measured at fair value through other comprehensive income		524,749	(795,269)
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		(8,302)	(14,529)
Non-controlling interests		–	12
Other comprehensive income net of tax		516,447	(809,786)
Total comprehensive income		3,914,403	2,511,085
Total comprehensive income attributable to:			
Equity shareholders of the Bank		3,742,639	2,357,769
Non-controlling interests		171,764	153,316
		3,914,403	2,511,085
Basic and diluted earnings per share (restated for comparative period) (in RMB)	13	0.33	0.36

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Statement of Financial Position

at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	31 December 2021	31 December 2020
Assets			
Cash and deposits with central bank	14	33,433,058	36,492,083
Deposits with banks and other financial institutions	15	2,919,058	2,357,591
Placements with banks and other financial institutions	16	4,182,213	3,083,574
Financial assets held under resale agreements	17	14,228,603	8,585,647
Loans and advances to customers	18	282,399,091	231,250,013
Financial investments:			
Financial investments at fair value through profit or loss	19	41,109,728	46,463,308
Financial investments at fair value through other comprehensive income	19	17,311,509	21,983,430
Financial investments measured at amortised cost	19	139,328,387	164,230,569
Derivative financial assets	28	173,981	362,970
Lease receivables	20	28,224,856	22,565,825
Interest in associates	21	407,086	400,250
Property and equipment	22	2,874,435	2,686,802
Deferred tax assets	23	3,900,289	3,718,962
Other assets	24	4,487,368	3,632,420
Total assets		574,979,662	547,813,444
Liabilities			
Due to central bank	25	22,785,695	25,966,645
Deposits from banks and other financial institutions	26	37,666,420	20,210,404
Placements from banks and other financial institutions	27	27,636,976	20,467,593
Financial assets sold under repurchase agreements	29	12,371,414	21,303,430
Deposits from customers	30	321,574,215	316,512,735
Tax payable		359,712	653,304
Debt securities issued	31	90,076,717	93,164,057
Other liabilities	32	3,096,973	3,563,355
Total liabilities		515,568,122	501,841,523

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Statement of Financial Position

at 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Equity			
Share capital	33	8,265,538	7,514,125
Other equity instruments			
Include: preference shares	36	7,825,508	7,825,508
perpetual debts	36	9,998,855	–
Capital reserve	34	7,452,490	8,203,903
Surplus reserve	34	3,281,678	2,976,573
General reserve	34	7,481,353	7,078,451
Fair value reserve	34	(173,457)	(698,206)
Remeasurement of net defined benefit liability	34	(69,255)	(60,953)
Retained earnings	35	13,703,472	11,655,496
Total equity attributable to equity shareholders of the Bank		57,766,182	44,494,897
Non-controlling interests		1,645,358	1,477,024
Total equity		59,411,540	45,971,921
Total liabilities and equity		574,979,662	547,813,444

Approved and authorised for issue by the board of directors on 30 March 2022.

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Sun Haigang
Chief accountant

Gao Chenxin
*General Manager of the Planning and
Finance Department*

(Company chop)

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2021	7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921
Profit for the year	-	-	-	-	-	-	-	3,226,192	3,226,192	171,764	3,397,956
Other comprehensive income	-	-	-	-	-	524,749	(8,302)	-	516,447	-	516,447
Total comprehensive income	-	-	-	-	-	524,749	(8,302)	3,226,192	3,742,639	171,764	3,914,403
Capital invested by share holders:											
- Issuance of perpetual debts	-	9,998,855	-	-	-	-	-	-	9,998,855	-	9,998,855
Appropriation of profit:											
- Appropriation to surplus reserve	-	-	-	305,105	-	-	-	(305,105)	-	-	-
- Appropriation to general reserve	-	-	-	-	402,902	-	-	(402,902)	-	-	-
- Cash dividends on ordinary shares	-	-	-	-	-	-	-	-	-	(3,430)	(3,430)
- Cash dividends on preference shares	-	-	-	-	-	-	-	(470,209)	(470,209)	-	(470,209)
Capital reserve converted into share capital	751,413	-	(751,413)	-	-	-	-	-	-	-	-
Sub-total	751,413	9,998,855	(751,413)	305,105	402,902	-	-	(1,178,216)	9,528,646	(3,430)	9,525,216
Balance at 31 December 2021	8,265,538	17,824,363	7,452,490	3,281,678	7,481,353	(173,457)	(69,255)	13,703,472	57,766,182	1,645,358	59,411,540

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020		5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622
Profit for the year		-	-	-	-	-	-	-	3,167,567	3,167,567	153,304	3,320,871
Other comprehensive income	34(d)(e)	-	-	-	-	-	(795,269)	(14,529)	-	(809,798)	12	(809,786)
Total comprehensive income		-	-	-	-	-	(795,269)	(14,529)	3,167,567	2,357,769	153,316	2,511,085
Capital invested by share holders:												
- Share capital invested by Private A-Share holders		1,000,000	-	3,632,441	-	-	-	-	-	4,632,441	-	4,632,441
- Capital invested by non-controlling interests		-	-	-	-	-	-	-	-	-	24,500	24,500
Appropriation of profit:												
- Appropriation to surplus reserve	34(b)	-	-	-	301,025	-	-	-	(301,025)	-	-	-
- Appropriation to general reserve	34(c)	-	-	-	-	458,898	-	-	(458,898)	-	-	-
- Cash dividends on ordinary shares	35	-	-	-	-	-	-	-	(592,193)	(592,193)	(2,092)	(594,285)
- Cash dividends on preference shares	35	-	-	-	-	-	-	-	(493,442)	(493,442)	-	(493,442)
Capital reserve converted into share capital		592,193	-	(592,193)	-	-	-	-	-	-	-	-
Sub-total		1,592,193	-	3,040,248	301,025	458,898	-	-	(1,845,558)	3,546,806	22,408	3,569,214
Balance at 31 December 2020		7,514,125	7,825,508	8,203,903	2,976,573	7,078,451	(698,206)	(60,953)	11,655,496	44,494,897	1,477,024	45,971,921

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Cash Flow Statement

for the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	2021	2020
Cash flows from operating activities		
Profit before tax	3,988,138	4,012,467
<i>Adjustments for:</i>		
Impairment losses on assets	7,263,030	7,184,457
Depreciation and amortisation	454,021	439,534
Unrealised foreign exchange losses	451,257	434,173
Net losses from disposal of long-term assets	1,122	638
Net trading gains of financial investments at fair value through profit or loss	(574,103)	(201,983)
Net gains arising from investments	(870,283)	(1,187,922)
Share of profits of associates	(6,836)	(35,035)
Interest expense on debt securities issued	2,743,371	2,841,648
Interest income on financial investments	(8,453,447)	(9,634,456)
	4,996,270	3,853,521
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	3,764,987	2,872,095
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(550,662)	203,448
Net decrease/(increase) in financial investments at fair value through profit or loss	680,710	(5,322,103)
Net increase in loans and advances to customers	(54,387,425)	(47,053,934)
Net increase in financial assets held under resale agreements	(5,642,374)	(5,586,004)
Net increase in lease receivables	(5,990,586)	(10,166,372)
Net increase in other operating assets	(904,974)	(733,601)
	(63,030,324)	(65,786,471)
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in amounts due to central bank	(3,149,149)	15,879,850
Net increase in deposits and placements from banks and other financial institutions	24,346,942	7,576,103
Net (decrease)/increase in financial assets sold under repurchase agreements	(8,933,329)	4,915,671
Net increase in deposits from customers	4,583,030	25,013,560
Net decrease in other operating liabilities	(107,828)	(1,183,030)
	16,739,666	52,202,154
Cash used in operations	(41,294,388)	(9,730,796)
Income tax paid	(1,324,671)	(1,448,513)
Net cash flows used in operating activities	(42,619,059)	(11,179,309)

The notes on pages 234 to 373 form part of these financial reports.

Consolidated Cash Flow Statement

for the year ended 31 December 2021 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2021	2020
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		227,764,109	280,857,069
Proceeds from disposal of property and equipment and other assets		1,749	497
Payments on acquisition of investments		(198,711,536)	(271,236,204)
Payments on increased share of associates		-	(20,580)
Dividends and interest received		12,598,598	15,464,507
Payments on acquisition of property and equipment and other assets		(697,294)	(451,442)
Net cash flows generated from investing activities		40,955,626	24,613,847
Cash flows from financing activities			
Proceeds received from issuance of Private A-share		-	4,632,441
Proceeds received from issuance of Perpetual debts		9,998,855	-
Capital contribution by non-controlling interests		-	24,500
Proceeds received from debt securities issued		133,122,114	115,922,786
Repayment of debt securities issued		(136,215,573)	(127,590,149)
Interest paid on debt securities issued		(2,737,253)	(3,255,895)
Dividends paid		(474,892)	(1,087,926)
Cash flows from other financing activities		(130,752)	(123,095)
Net cash flows generated/(used in)from financing activities		3,562,499	(11,477,338)
Net increase in cash and cash equivalents		1,899,066	1,957,200
Cash and cash equivalents as at 1 January		19,600,052	17,766,563
Effect of foreign exchange rate changes on cash and cash equivalents		(86,785)	(123,711)
Cash and cash equivalents as at 31 December	37(a)	21,412,333	19,600,052
Net cash flows generated from operating activities include:			
Interest received		18,551,961	14,376,949
Interest paid		(10,164,027)	(10,185,543)

The notes on pages 234 to 373 form part of these financial reports.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes receiving deposits from the public; short, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honoring and underwriting of government bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; taking foreign currency deposits, providing foreign currency loans, foreign exchange remittances and foreign currency exchange services; bank card business; provision of letter of credit services and guarantees; acting as a collection and payment agent and an insurance agent; providing safe deposit box services; financial leasing and other business activities approved by the banking regulatory authority under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

For subsidiaries of the Bank, refer to Note 21 for more information.

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation

The consolidated financial statements for the year ended 31 December 2021 comprise the Bank and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(24).

The measurement basis used in the preparation of the financial statements is the historical basis, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or derivative financial instruments (see Note 2(6)) are stated at their fair value as explained in the accounting policies.

The financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the Group.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Consolidated financial statements

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

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of financial assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

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

(ii) *Classification and subsequent measurement of financial assets*

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial investments at fair value through profit or loss (“FVTPL”).

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meets the requirements of the above contractual cash flow characteristics.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

– Financial investments at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and reclassification and amortisation using the effective interest method or recognition of impairment.

– Debt securities at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(iii) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVTPL

The financial liabilities includes trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities is subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation (see Note 2(6)(v)).

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(v) *Impairment*

The Group recognises provision for expected credit loss ("ECL") on:

- Financial assets measured at amortised cost;
- Debt securities at FVOCI;
- Lease receivables;
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(v) Impairment (Continued)

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group's measurement of expected credit losses is described in Note 40(a).

Presentation of provision for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(v) *Impairment (Continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when one of the following conditions is met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt securities at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Financial instruments (Continued)

(vii) *Offsetting*

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

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

(7) Financial assets purchased under resale agreements and sold under repurchase agreements

The assets purchased under resale agreements are not recognised, and the payment is reported as a receivable in the balance sheet and is carried at amortised cost.

Financial assets sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with applicable accounting policies. The funds received are reported as liabilities in the balance sheet and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(8) Preference shares and perpetual bonds

Preference shares, perpetual bonds issued or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares and perpetual bonds contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares and perpetual bonds which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares and perpetual bonds that should be classified as equity instruments, will be recognised as equity in actual amount received. Interest and dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(10) Long-term equity investments

(i) *Investment in subsidiaries*

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(3).

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note 2(14)).

(ii) *Investments in associates*

An associate is an enterprise over which the Group has significant influence.

A long-term equity investment in an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) Long-term equity investments (Continued)

(ii) *Investments in associates (Continued)*

Under the equity method:

Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in associates, refer to Note 2(14).

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) Fixed assets and construction in progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(14)). Construction in progress is stated in the balance sheet at cost less impairment loss (see Note 2(14)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

All direct and indirect costs that are related to the construction of the fixed assets and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed assets are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values and accumulated impairment losses (that is the cost of fixed assets (net of the estimated residual values) divided by the estimated useful lives). The estimated useful lives, estimated residual value rates and annual depreciation rates of each class of fixed assets are as follows:

	Estimated useful lives	Estimated net residual value rate	Depreciation rate
Premises	20 – 50 years	5%	1.90% – 4.75%
Electronic equipment	5 years	5%	19.00%
Vehicles	5 years	5%	19.00%
Office equipment and others	5 – 10 years	5%	9.50% – 19.00%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains lease and non-lease components, as a lessor, the Group has elected to separate non-lease components from lease components, as a lessee, the Group has elected not to separate non-lease components from lease components and account for the lease and non-lease components as a single lease component.

(i) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Leases (Continued)

(i) As a lessee (Continued)

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 2(14).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Leases (Continued)

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the lease receivable and derecognises the lease asset. The lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the lease receivable are recognised in accordance with the accounting policy in Note 2(6). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(13) Intangible assets

Intangible assets are stated in the balance sheet at cost or share-based restructuring basis valuation less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(14)). The cost of intangible assets less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for such intangible assets are as follows:

Softwares	5 – 10 years
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Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets and construction in progress;
- Right-of-use assets;
- Intangible assets;
- Long-term equity investments.

If any indication exists, the recoverable amount of the asset is estimated.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate, taking into account the expected future cash, useful life and discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Impairment of non-financial assets (Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(15) Employee benefits

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participates in a defined contribution basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. The Group provides an annuity plan for eligible employees and makes contribution based on a certain percentage of the total salaries of the employees. The corresponding expenses incurred are recognised in profit or loss.

(iii) Post-employment benefits – defined benefit plans

The Group's defined benefit plans are supplementary retirement benefits, including early retirement plan and supplementary retirement plan.

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) Employee benefits (Continued)

(iii) *Post-employment benefits – defined benefit plans (Continued)*

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value. The resulting amount, net of the deficit or surplus arising from the fair value of the defined benefit assets (if any), is recognised as a net defined benefit liability/asset.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and net interest expense on the net defined benefit liability/asset are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of net defined benefit liability/asset are recognised in other comprehensive income.

(iv) *Termination benefits*

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(16) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). The temporary difference arising from the initial recognition of goodwill does not give rise to deferred tax.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- The taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- They relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(17) Financial guarantees, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Financial guarantees, provisions and contingent liabilities (Continued)

(i) *Financial guarantees (Continued)*

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(6)(v) for details of the expected credit loss model.

(ii) *Other provisions*

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome;
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(18) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) Fiduciary activities (Continued)

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(19) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

The specific accounting policies related to the revenue of Group’s principal activities are described below:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest income from finance leases is recognised in profit or loss in the period of the lease using the effective interest method. Contingent rentals are recognised as income as incurred.

(ii) Fee and commission income

Fee and commission income is recognised when the corresponding service is provided.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Revenue recognition (Continued)

(ii) *Fee and commission income (Continued)*

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(iii) *Other income*

Other income is recognised on an accrual basis.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Revenue recognition (Continued)

(iv) Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, or included in other income or non-operating income directly.

(20) Expense recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(21) Dividends

Dividends proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date are not recognised as a liability at the balance sheet date but disclosed separately in the notes to the financial statements.

(22) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

(24) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(i) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 40(a) for the explanation of the assumptions and estimation used in measuring ECL.

(ii) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Financial Statements

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Significant accounting estimates and judgements (Continued)

(iii) *Impairment of non-financial assets*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(iv) *Depreciation and amortisation*

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in this year. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(v) *Determination of control over investees*

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager. In assessing whether the Group is acting as agent, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns.

Notes to the Financial Statements

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3 NET INTEREST INCOME

	2021	2020
Interest income arising from		
Deposits with central bank	353,887	393,146
Deposits and placements with banks and other financial institutions	37,395	108,271
Loans and advances to customers		
– Corporate loans and advances	10,429,441	8,339,607
– Personal loans and advances	3,698,192	3,643,366
– Discounted bills	394,004	352,235
Financial assets held under resale agreements	144,952	116,591
Financial investments	8,453,447	9,634,456
Lease receivables	2,053,764	1,305,471
Sub-total	25,565,082	23,893,143
Interest expense arising from		
Amounts due to central bank	(689,257)	(498,015)
Deposits and placements from banks and other financial institutions	(2,024,783)	(1,250,330)
Deposits from customers	(7,754,470)	(7,659,143)
Financial assets sold under repurchase agreements	(404,330)	(404,845)
Debt securities issued	(2,743,371)	(2,841,648)
Sub-total	(13,616,211)	(12,653,981)
Net interest income	11,948,871	11,239,162

Notes to the Financial Statements

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4 NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income		
Agency and custody services fees	894,586	1,308,885
Underwriting and advisory fees	234,955	281,875
Acceptance and guarantee services fees	127,846	186,762
Bank card services fees	115,465	125,393
Others	35,927	33,686
Sub-total	1,408,779	1,936,601
Fee and commission expense	(167,195)	(206,615)
Net fee and commission income	1,241,584	1,729,986

5 NET TRADING GAINS

	Note	2021	2020
Net gains from debt securities and investment funds	(a)	572,478	559,508
Net foreign exchange gains/(losses)	(b)	115,396	(191,169)
Total		687,874	368,339

(a) Net gains from debt securities and funds include gains arising from the buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange (losses)/gains mainly included gains from purchase and sale of foreign currency spot, changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

6 NET GAINS ARISING FROM INVESTMENTS

	2021	2020
Net gains from other debt instruments	804,653	1,049,888
Net gains from debt securities	65,630	138,034
Total	870,283	1,187,922

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For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

7 OTHER OPERATING INCOME

	2021	2020
Rental income	5,536	5,576
Government grants	39,434	38,688
Net losses on disposal of property and equipment	(1,122)	(638)
Others	18,445	10,634
Total	62,293	54,260

8 OPERATING EXPENSES

	2021	2020
	<i>Note</i>	
Staff costs		
– Salaries, bonuses and allowances	1,444,005	1,551,670
– Social insurance and annuity	312,774	151,339
– Supplementary retirement benefits	31,516	4,837
– Staff welfare	144,918	156,829
– Housing allowances	119,093	104,654
– Others	54,051	55,445
Sub-total	2,106,357	2,024,774
Depreciation and amortisation		
– Depreciation of right-of-use assets	140,882	126,247
– Others	313,139	313,287
Rental and property management expenses	110,183	99,112
Office expenses	62,056	55,269
Tax and surcharges	151,258	133,092
Interest expense of lease liabilities	14,884	13,789
Other general and administrative expenses	667,814	652,210
	(1)	
Total	3,566,573	3,417,780

(1) Auditor's remunerations were RMB5.65 million for the year ended 31 December 2021 (2020: RMB5.60 million).

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For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	Note	Year ended 31 December 2021				
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
Executive directors						
Wang Tianyu		-	909	-	75	984
Shen Xueqing		-	810	824	78	1,712
Xia Hua		-	764	781	77	1,622
Non-executive directors						
Fan Yutao	(2)	-	-	-	-	-
Zhang Jingguo	(2)	21	-	-	-	21
Liang Songwei	(2)	-	-	-	-	-
Ji Hongjun		3	-	-	-	3
Wang Shihao		-	51	132	-	183
Wang Dan	(2)	-	-	-	-	-
Liu Bingheng	(2)	-	-	-	-	-
Su Xiaojun	(2)	-	-	-	-	-
Independent non-executive directors						
Xie Taifeng	(3)	195	-	-	-	195
Wu Ge	(3)	195	-	-	-	195
Chan Mei Bo Mabel	(3)	195	-	-	-	195
Li Yanyan		-	-	-	-	-
Song Ke	(3)	-	-	-	-	-
Li Xiaojian	(3)	-	-	-	-	-
Li Shuk Yin Edwina	(3)	-	-	-	-	-
Supervisors						
Zhao Lijuan		-	768	781	73	1,622
Song Ke	(4)	88	-	-	-	88
Ma Baojun		163	-	-	-	163
Zhu Zhihui		48	-	-	-	48
Cheng Jie	(4)	-	186	948	38	1,172
Li Huaibin		-	511	1,204	77	1,792
Chen Xinxiu	(4)	-	311	856	38	1,205
Xu Changsheng	(4)	90	-	-	-	90
Total		998	4,310	5,526	456	11,290

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For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Note	Fees	Salaries	Discretionary bonus	Year ended 31 December 2020	
					Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
Executive directors						
Wang Tianyu		–	886	–	98	984
Shen Xueqing		–	838	797	97	1,732
Feng Tao		–	266	274	30	570
Xia Hua		–	388	343	55	786
Non-executive directors						
Fan Yutao		–	–	–	–	–
Zhang Jingguo		36	–	–	–	36
Liang Songwei		–	–	–	–	–
Ji Hongjun		36	–	–	–	36
Wang Shihao		–	36	132	–	168
Independent non-executive directors						
Xie Taifeng		180	–	–	–	180
Wu Ge		180	–	–	–	180
Chan Mei Bo Mabel		180	–	–	–	180
Li Yanyan		–	–	–	–	–
Supervisors						
Zhao Lijuan		–	793	754	93	1,640
Song Ke		150	–	–	–	150
Ma Baojun		150	–	–	–	150
Zhu Zhihui		36	–	–	–	36
Cheng Jie		–	88	1,815	79	1,982
Li Huaibin		–	108	1,758	76	1,942
Total		948	3,403	5,873	528	10,752

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For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- (1) There was no appointment, removal or change of executive directors of the Bank in 2021.
- (2) On June 17, 2021, the Bank's 2020 Annual General Meeting reviewed and approved Ms. Wang Dan, Mr. Liu Bingheng and Mr. Su Xiaojun as non-executive directors of the Bank. On November 8, 2021, the qualification of Ms. Wang Dan was approved by Henan office of China Banking and Insurance Regulatory Commission. On November 9, 2021, the qualifications of Mr. Liu Bingheng and Mr. Su Xiaojun were approved by Henan office of China Banking and Insurance Regulatory Commission. On June 17, 2021, Mr. Fan Yutao, Mr. Zhang Jingguo and Mr. Liang Songwei resigned as non-executive directors of the Bank.
- (3) On June 17, 2021, the Bank's 2020 Annual General Meeting reviewed and approved Mr. Song Ke, Mr. Li Xiaojian and Ms. Li Shuk Yin Edwina as independent non-executive directors of the Bank. On December 20, 2021, the qualifications of Mr. Li Xiaojian and Ms. Li Shuk Yin Edwina were approved by Henan office of China Banking and Insurance Regulatory Commission, and Mr. Xie Taifeng and Ms. Chan Mei Bo Mabel resigned as independent non-executive directors. On January 19, 2022, the qualification of Mr. Song Ke was approved by Henan office of China Banking and Insurance Regulatory Commission.
- (4) On May 25, 2021, The Second Plenary Session of the Third Trade Union Committee of the Bank reviewed and approved Ms. Chen Xinxiu as an employee supervisor of the Bank. On June 17, 2021, the Bank's 2020 Annual General Meeting reviewed and approved Mr. Xu Changsheng as an external supervisor of the Bank. Ms. Cheng Jie resigned as an employee supervisor of the Bank, and Mr. Song Ke resigned as an external supervisor of the Bank.

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2020: Nil).

During the year, no emolument was paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2020: Nil).

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2021 have not yet been finalised in accordance with the regulations of PRC relevant authorities. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2021.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with highest emoluments include 2 directors, 2 supervisors and 3 senior executives with equal emoluments (2020: 2 directors and 3 supervisors) of the Group, whose emoluments are disclosed in Note 9. The emoluments for the other highest paid individual is as follows (Total emoluments of the 3 senior executives with equal emoluments are disclosed as follows):

	2021	2020
Salaries and other emoluments	2,154	388
Discretionary bonuses	2,214	411
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	231	55
Total	4,599	854

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For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The individual's emoluments before individual income tax is within the following bands:

	2021	2020
RMB1,500,001 – 2,000,000	3	–

11 IMPAIRMENT LOSSES ON ASSETS

	2021	2020
Loans and advances to customers measured at amortised cost	3,593,261	5,407,911
Loans and advances to customers measured at fair value through other comprehensive income	125,025	79,151
Financial investments measured at amortised cost	3,067,114	1,317,666
Financial investments at fair value through other comprehensive income	(94,227)	169,198
Lease receivables	352,086	286,652
Financial assets held under resale agreements	228	55
Placements with banks and other financial institutions	(365)	253
Deposits with banks and other financial institutions	89	24
Off-balance sheet credit commitments	(2,570)	(76,453)
Others	222,389	–
Total	7,263,030	7,184,457

12 INCOME TAX EXPENSE

(a) Income tax for the year:

	2021	2020
Current tax	842,308	1,276,375
Deferred tax	(356,242)	(634,354)
Adjustment for prior years	104,116	49,575
Total	590,182	691,596

Notes to the Financial Statements

For the year ended 31 December 2021
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12 INCOME TAX EXPENSE (CONTINUED)

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2021	2020
Profit before tax		3,988,138	4,012,467
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		997,035	1,003,117
Non-deductible expenses		23,781	36,923
Non-taxable income	(1)	(533,274)	(399,064)
Deductible temporary difference for unrecognized deferred tax assets		1,438	1,256
Adjustment for prior years		104,116	49,575
Recognition of previously unrecognized deductible temporary difference		-	(211)
Recognition of deductible temporary difference for previously unrecognized deferred tax assets		(2,914)	-
Income tax		590,182	691,596

(1) Non-taxable income consists of interest income from the PRC government bonds, municipal debts and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Note	2021	2020 (Restated)
Earnings:			
Net profit attributable to equity shareholders of the Bank		3,226,192	3,167,567
Less: Profit for the year attributable to other equity instruments holders of the Bank		(470,209)	(493,442)
Profit for the year attributable to ordinary shareholders of the Bank		2,755,983	2,674,125
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	8,265,538	7,348,871
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.33	0.36

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

In December 2021, the Bank implemented the 2020 equity distribution plan to convert capital reserve to share capital. Therefore, the earnings per share for comparative reporting period are recalculated according to the adjusted number of shares.

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13 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

(a) Weighted average number of ordinary shares (in thousand shares)

	2021	2020 (Restated)
Number of ordinary shares as at 1 January	7,514,125	5,921,932
Increase in weighted average number of ordinary shares (restated for comparative period)	751,413	1,426,939
Weighted average number of ordinary shares	8,265,538	7,348,871

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2021	31 December 2020
Cash on hand		894,278	1,054,965
Deposits with central bank			
– Statutory deposit reserves	(a)	17,858,400	21,576,190
– Surplus deposit reserves	(b)	14,271,762	13,403,352
– Fiscal deposits		398,488	445,685
– Interest accrued		10,130	11,891
Sub-total		32,538,780	35,437,118
Total		33,433,058	36,492,083

(a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the relevant period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2021	31 December 2020
Reserve ratio for RMB deposits	6.0%	7.0%
Reserve ratio for foreign currency deposits	9.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Deposits in mainland China		
– Banks	2,704,287	2,041,119
Sub-total	2,704,287	2,041,119
Deposits outside mainland China		
– Banks	210,212	316,902
Sub-total	210,212	316,902
Total	2,914,499	2,358,021
Interest accrued	5,264	186
Less: provision for impairment losses	(705)	(616)
Total	2,919,058	2,357,591

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
Placements in mainland China		
– Banks	4,182,457	2,283,715
– Other financial institutions	–	800,000
Total	4,182,457	3,083,715
Interest accrued	380	848
Less: provision for impairment losses	(624)	(989)
Total carrying amount	4,182,213	3,083,574

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17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In mainland China		
– Banks	7,800,000	4,875,647
– Other financial institutions	6,426,683	3,708,662
Total	14,226,683	8,584,309
Interest accrued	2,258	1,448
Less: provision for impairment losses	(338)	(110)
Total	14,228,603	8,585,647

(b) Analysed by type of collateral

	31 December 2021	31 December 2020
Debt securities	14,226,683	8,584,309
Interest accrued	2,258	1,448
Less: provision for impairment losses	(338)	(110)
Total	14,228,603	8,585,647

Notes to the Financial Statements

For the year ended 31 December 2021
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18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2021	31 December 2020
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	193,607,804	151,647,964
Personal loans and advances		
– Personal business loans	27,976,927	25,639,981
– Residential mortgage	40,841,865	35,964,974
– Personal consumption loans	4,222,797	2,769,512
– Credit card	3,096,510	2,954,470
Sub-total	76,138,099	67,328,937
Total amount of loans and advances to customers measured at amortised cost	269,745,903	218,976,901
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	6,176,772	5,306,068
– Discounted bills	13,104,993	13,676,221
Sub-total	19,281,765	18,982,289
Gross loans and advances to customers	289,027,668	237,959,190
Interest accrued	1,439,787	1,046,446
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,068,364)	(7,755,623)
Net loans and advances to customers	282,399,091	231,250,013

Notes to the Financial Statements

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	31 December 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Water, environment and public facility management	40,052,714	13.86%	3,287,862
Real estate	34,438,375	11.92%	16,282,210
Leasing and commercial services	33,694,931	11.64%	4,706,069
Wholesale and retail	31,741,472	10.98%	11,203,874
Construction	20,018,268	6.93%	4,996,489
Manufacturing	14,765,860	5.11%	3,873,380
Transportation, storage and postal services	6,664,013	2.31%	2,121,277
Agriculture, forestry, animal husbandry and fishery	3,253,187	1.13%	710,613
Production and supply of electric and heating power, gas and water	2,048,934	0.71%	328,303
Mining	2,032,243	0.70%	109,000
Culture, sports and entertainment	1,576,940	0.55%	1,148,906
Accommodation and catering	1,387,905	0.48%	1,228,965
Others	8,109,734	2.81%	1,894,210
Sub-total of corporate loans and advances	199,784,576	69.13%	51,891,158
Personal loans and advances	76,138,099	26.34%	67,617,115
Discounted bills	13,104,993	4.53%	13,104,993
Gross loans and advances to customers	289,027,668	100.00%	132,613,266

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For the year ended 31 December 2021
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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2020		Loans and advances secured by collaterals
	Amount	Percentage	
Real estate	30,557,324	12.84%	16,058,561
Wholesale and retail	30,468,072	12.80%	11,996,544
Water, environment and public facility management	25,683,307	10.79%	2,901,260
Leasing and commercial services	17,666,268	7.42%	4,445,055
Manufacturing	14,981,932	6.30%	4,064,878
Construction	14,887,663	6.26%	4,455,438
Transportation, storage and postal services	4,982,485	2.09%	2,486,530
Production and supply of electric and heating power, gas and water	2,581,881	1.09%	546,485
Agriculture, forestry, animal husbandry and fishery	1,926,802	0.81%	433,574
Culture, sports and entertainment	1,660,210	0.70%	1,235,700
Accommodation and catering	1,311,417	0.55%	1,196,331
Mining	807,252	0.34%	216,870
Others	9,439,419	3.97%	2,107,657
Sub-total of corporate loans and advances	156,954,032	65.96%	52,144,883
Personal loans and advances	67,328,937	28.29%	58,379,715
Discounted bills	13,676,221	5.75%	13,676,221
Gross loans and advances to customers	237,959,190	100.00%	124,200,819

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	31 December 2021	31 December 2020
Unsecured loans	47,398,227	31,664,029
Guaranteed loans	109,016,175	82,094,342
Loans secured by mortgages	101,095,217	89,660,694
Pledged loans	31,518,049	34,540,125
Gross loans and advances to customers	289,027,668	237,959,190
Interest accrued	1,439,787	1,046,446
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(8,068,364)	(7,755,623)
Net loans and advances to customers	282,399,091	231,250,013

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period

	31 December 2021				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	919,535	198,883	62,680	9,108	1,190,206
Guaranteed loans	1,146,000	717,102	751,020	293,302	2,907,424
Loans secured by mortgages	1,509,662	835,416	672,166	354,763	3,372,007
Pledged loans	340,353	-	512,205	28,103	880,661
Total	3,915,550	1,751,401	1,998,071	685,276	8,350,298
As a percentage of gross loans and advances to customers	1.35%	0.61%	0.69%	0.24%	2.89%

	31 December 2020				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	70,998	115,286	10,304	8,084	204,672
Guaranteed loans	1,097,994	983,686	1,117,857	342,703	3,542,240
Loans secured by mortgages	1,289,983	654,893	432,147	480,850	2,857,873
Pledged loans	30,303	49,497	556,306	-	636,106
Total	2,489,278	1,803,362	2,116,614	831,637	7,240,891
As a percentage of gross loans and advances to customers	1.04%	0.76%	0.89%	0.35%	3.04%

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	31 December 2021			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	255,290,534	7,334,453	7,120,916	269,745,903
Interest accrued	1,242,856	40,483	156,448	1,439,787
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,465,262)	(1,519,067)	(3,084,035)	(8,068,364)
Carrying amount of loans and advances to customers measured at amortised cost	253,068,128	5,855,869	4,193,329	263,117,326
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	18,924,265	-	357,500	19,281,765
Total carrying amount of loans and advances to customers	271,992,393	5,855,869	4,550,829	282,399,091

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

	31 December 2020			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	206,720,645	6,001,378	6,254,878	218,976,901
Interest accrued	831,526	138,801	76,119	1,046,446
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,223,667)	(1,351,623)	(3,180,333)	(7,755,623)
Carrying amount of loans and advances to customers measured at amortised cost	204,328,504	4,788,556	3,150,664	212,267,724
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	18,494,789	–	487,500	18,982,289
Total carrying amount of loans and advances to customers	222,823,293	4,788,556	3,638,164	231,250,013

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

- (i) Movements of provision for impairment losses on loans and advances to customers measured at amortised cost:

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	3,223,667	1,351,623	3,180,333	7,755,623
Transferred:				
– to 12-months ECL	267,109	(255,794)	(11,315)	–
– to lifetime ECL not credit-impaired	(69,684)	78,962	(9,278)	–
– to lifetime ECL credit-impaired	(42,532)	(179,557)	222,089	–
Charge for the year	86,702	523,833	2,982,726	3,593,261
Write-offs and disposals	–	–	(3,669,923)	(3,669,923)
Recoveries of loans previously written off	–	–	389,403	389,403
As at 31 December 2021	3,465,262	1,519,067	3,084,035	8,068,364
	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	2,790,879	1,069,890	3,467,077	7,327,846
Transferred:				
– to 12-months ECL	53,592	(53,592)	–	–
– to lifetime ECL not credit-impaired	(68,427)	68,775	(348)	–
– to lifetime ECL credit-impaired	(37,720)	(454,594)	492,314	–
Charge for the year	485,343	721,144	4,201,424	5,407,911
Write-offs and disposals	–	–	(5,355,940)	(5,355,940)
Recoveries of loans previously written off	–	–	375,806	375,806
As at 31 December 2020	3,223,667	1,351,623	3,180,333	7,755,623

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

- (ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	13,652	–	162,500	176,152
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	–	–	–	–
– to lifetime ECL credit-impaired	–	–	–	–
(Reversal)/charge for the year	(4,975)	–	130,000	125,025
As at 31 December 2021	8,677	–	292,500	301,177

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	21,529	75,472	–	97,001
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	–	–	–	–
– to lifetime ECL credit-impaired	–	(75,472)	75,472	–
(Reversal)/charge for the year	(7,877)	–	87,028	79,151
As at 31 December 2020	13,652	–	162,500	176,152

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

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19 FINANCIAL INVESTMENTS

	<i>Note</i>	31 December 2021	31 December 2020
Financial investments at fair value through profit or loss	(a)	41,109,728	46,463,308
Financial investments at fair value through other comprehensive income	(b)	17,124,485	21,691,216
Financial investments measured at amortised cost	(c)	137,645,793	162,416,779
Interest accrued		1,869,618	2,106,004
Total		197,749,624	232,677,307

(a) Financial investments at fair value through profit or loss:

	<i>Note</i>	31 December 2021	31 December 2020
Debt securities			
– Debt securities held for trading purpose	(1)	10,932,882	13,890,565
Investment funds and other investments			
– Investment funds held for trading purpose		11,147,503	9,402,658
– Other financial investments at fair value through profit or loss	(2)	19,029,343	23,170,085
Total		41,109,728	46,463,308

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19 FINANCIAL INVESTMENTS (CONTINUED)

(a) Financial investments at fair value through profit or loss: (Continued)

(1) Debt securities held for trading purpose

	31 December 2021	31 December 2020
Mainland China		
– Government	5,941,697	6,755,164
– Policy banks	4,735,299	6,255,154
– Banks and other financial institutions	199,041	583,978
– Corporate	56,845	296,269
Total	10,932,882	13,890,565
Debt securities analysed into		
– Listed outside Hong Kong	5,998,542	7,326,043
– Unlisted	4,934,340	6,564,522
Total	10,932,882	13,890,565

(2) Other financial investments at fair value through profit or loss

	31 December 2021	31 December 2020
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	5,434,628	11,336,697
– Investment management products under trust scheme	6,938,568	5,290,646
– Wealth management products	–	210,000
– Others	6,656,147	6,332,742
Total	19,029,343	23,170,085

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For the year ended 31 December 2021
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19 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income

	31 December 2021 The Group	31 December 2020 The Group
Debt securities		
– Government	13,887,333	14,579,719
– Policy banks	2,588,965	5,648,839
– Corporate	639,787	1,454,258
– Interest accrued	187,024	292,214
Sub-total	17,303,109	21,975,030
Equity instruments	8,400	8,400
Total	17,311,509	21,983,430
Debt securities by category		
– Listed outside Hong Kong	14,017,132	15,585,908
– Unlisted	3,098,953	6,096,908
– Interest accrued	187,024	292,214
	17,303,109	21,975,030
Equity instrument investment by category		
– Unlisted	8,400	8,400
	8,400	8,400

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19 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income (Continued)

Movements of provision for impairment of debt securities measured at fair value through other comprehensive income during the period:

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	170,364	–	–	170,364
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(243)	243	–	–
– to lifetime ECL credit-impaired	–	–	–	–
(Reversal)/charge for the period	(169,513)	75,286	–	(94,227)
As at 31 December 2021	608	75,529	–	76,137

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	1,166	–	–	1,166
Charge for the year	169,198	–	–	169,198
As at 31 December 2020	170,364	–	–	170,364

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

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19 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost:

	Note	31 December 2021	31 December 2020
Debt securities	(1)	64,223,207	52,730,731
Investment management products under the trust scheme		43,918,313	61,984,958
Investment management products managed by securities companies		24,307,403	35,002,092
Other beneficial right transaction plans		60,000	3,768,000
Others		9,693,255	12,812,606
Sub-total		77,978,971	113,567,656
Interest accrued		1,682,594	1,813,790
Less: Provision for impairment losses	(2)	(4,556,385)	(3,881,608)
Total		139,328,387	164,230,569

(1) Debt securities:

	31 December 2021	31 December 2020
Debt securities		
– Government	28,353,743	19,203,836
– Policy banks	30,523,442	27,640,005
– Banks and other financial institutions	1,688,853	1,281,393
– Corporate	3,657,169	4,605,497
– Interest accrued	1,178,119	1,094,003
Total	65,401,326	53,824,734
Debt securities analysed into:		
– Listed outside Hong Kong	29,027,918	21,333,904
– Unlisted	35,195,289	31,396,827
– Interest accrued	1,178,119	1,094,003
Total	65,401,326	53,824,734

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19 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

- (2) Movements of provision for impairment of financial investments measured at amortised cost is as follows:

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	781,360	355,976	2,744,272	3,881,608
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(61,120)	61,120	–	–
– to lifetime ECL credit-impaired	(8,872)	(178,086)	186,958	–
(Reversal)/charge for the year	(285,667)	96,630	3,256,151	3,067,114
Write-offs	–	–	(539,124)	(539,124)
Disposals	–	–	(1,853,213)	(1,853,213)
As at 31 December 2021	425,701	335,640	3,795,044	4,556,385

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	970,460	754,280	839,202	2,563,942
Transferred:				
– to 12-months ECL	–	–	–	–
– to lifetime ECL not credit-impaired	(24,089)	24,089	–	–
– to lifetime ECL credit-impaired	(903)	(754,279)	755,182	–
(Reversal)/charge for the year	(164,108)	331,886	1,149,888	1,317,666
As at 31 December 2020	781,360	355,976	2,744,272	3,881,608

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20 LEASE RECEIVABLES

	31 December 2021	31 December 2020
Sale and leaseback receivables	32,225,477	26,298,972
Finance lease receivables	674,173	311,421
Less: Unearned finance lease income	(4,152,483)	(3,632,742)
Present value of lease receivables	28,747,167	22,977,651
Interest accrued	301,288	280,757
Less: Provision for impairment losses	(823,599)	(692,583)
Total	28,224,856	22,565,825

(a) Lease receivables, unearned finance lease income and minimum lease receivables analysed by remaining period are listed as follows:

	31 December 2021			31 December 2020		
	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables	Minimum lease receivables	Unearned finance lease income	Present value of lease receivables
Less than 1 year	11,711,506	(1,905,222)	9,806,284	9,780,874	(1,627,410)	8,153,464
1 year to 2 years	9,102,285	(1,096,055)	8,006,230	6,171,528	(957,518)	5,214,010
2 years to 3 years	6,834,325	(507,489)	6,326,836	4,682,903	(597,523)	4,085,380
3 years to 5 years	2,690,085	(183,292)	2,506,793	5,390,157	(407,106)	4,983,051
More than 5 years	2,561,449	(460,425)	2,101,024	584,931	(43,185)	541,746
	32,899,650	(4,152,483)	28,747,167	26,610,393	(3,632,742)	22,977,651

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20 LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	426,813	119,611	146,159	692,583
Transferred:				
– to 12-months ECL	69,471	(69,471)	–	–
– to lifetime ECL not credit-impaired	(18,344)	18,344	–	–
– to lifetime ECL credit-impaired	(11,532)	–	11,532	–
(Reversal)/charge for the period	(129,454)	70,239	411,301	352,086
Write-offs	–	–	(221,070)	(221,070)
As at 31 December 2021	336,954	138,723	347,922	823,599

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	229,911	167,424	121,520	518,855
Transferred:				
– to 12-months ECL	137,947	(74,325)	(63,622)	–
– to lifetime ECL not credit-impaired	(6,225)	6,225	–	–
– to lifetime ECL credit-impaired	(3,750)	–	3,750	–
Charge for the year	68,930	20,287	197,435	286,652
Write-offs	–	–	(112,924)	(112,924)
As at 31 December 2020	426,813	119,611	146,159	692,583

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights 2021 %	Paid-in capital 2021	Amount invested by the Bank	Place of incorporation registration	Principal activity
	2021 %	2020 %					
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	100,000	51,000	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. The five subsidiaries have no material non-controlling interest to the Group.

(b) Interest in associates

	31 December 2021	31 December 2020
Interest in associates	407,086	400,250
Total	407,086	400,250

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates (Continued)

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
		2021	2020		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		49.58	49.58	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	31 December 2021	31 December 2020
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	407,086	400,250
Aggregate amounts of the Group's share of results of the associates for the year		
– Profit from continuing operations	6,836	35,035
– Other comprehensive income	–	–
– Total comprehensive income	6,836	35,035

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22 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2020	2,130,772	707,597	11,708	270,200	316,683	3,436,960
Additions	249,666	71,024	870	17,250	158,141	496,951
Disposals	–	(5,979)	(160)	(7,703)	–	(13,842)
As at 31 December 2020	2,380,438	772,642	12,418	279,747	474,824	3,920,069
Additions	129,722	60,651	835	25,422	147,172	363,802
Disposals	–	(38,195)	(615)	(64,472)	–	(103,282)
As at 31 December 2021	2,510,160	795,098	12,638	240,697	621,996	4,180,589
Accumulated depreciation						
As at 1 January 2020	(321,937)	(512,317)	(8,027)	(218,321)	–	(1,060,602)
Additions	(69,093)	(78,903)	(946)	(32,743)	–	(181,685)
Disposals	–	5,680	152	7,192	–	13,024
As at 31 December 2020	(391,030)	(585,540)	(8,821)	(243,872)	–	(1,229,263)
Additions	(73,256)	(71,543)	(946)	(24,873)	–	(170,618)
Disposals	–	36,264	584	60,883	–	97,731
As at 31 December 2021	(464,286)	(620,819)	(9,183)	(207,862)	–	(1,302,150)
Impairment						
As at 1 January 2020/31 December 2020/31 December 2021	(1,355)	(1,893)	–	(756)	–	(4,004)
Net book value						
As at 31 December 2020	1,988,053	185,209	3,597	35,119	474,824	2,686,802
As at 31 December 2021	2,044,519	172,386	3,455	32,079	621,996	2,874,435

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22 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 31 December 2021 was RMB223 million (31 December 2020: RMB187 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2021	31 December 2020
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,986,405	1,985,096
– Short-term leases (less than 10 years)	58,114	2,957
Total	2,044,519	1,988,053

23 DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for impairment losses	14,777,796	3,694,449	13,659,520	3,414,880
Accrued staff costs	113,316	28,329	80,752	20,188
Fair value changes in financial instruments	489,828	122,457	898,592	224,648
Provisions	208,600	52,150	211,172	52,793
Others	11,616	2,904	25,812	6,453
Net deferred income tax assets	15,601,156	3,900,289	14,875,848	3,718,962

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23 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2021
Allowance for impairment losses	3,414,880	279,569	-	3,694,449
Accrued staff costs	20,188	8,141	-	28,329
Fair value changes in financial instruments	224,648	65,026	(167,217)	122,457
Provisions	52,793	(643)	-	52,150
Others	6,453	(3,549)	-	2,904
Net deferred income tax assets	3,718,962	348,544	(167,217)	3,900,289

	At 31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
Allowance for impairment losses	2,914,524	500,356	-	3,414,880
Accrued staff costs	49,986	(14,323)	(15,475)	20,188
Fair value changes in financial instruments	(218,309)	115,776	327,181	224,648
Provisions	71,906	(19,113)	-	52,793
Others	16,883	(10,430)	-	6,453
Net deferred income tax assets	2,834,990	572,266	311,706	3,718,962

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24 OTHER ASSETS

	Note	31 December 2021	31 December 2020
Interest receivables	(a)	1,120,897	777,680
Other receivables		1,085,037	566,835
Intangible assets	(b)	777,859	674,660
Continuously involved assets	(d)	588,853	588,853
Right-of-use assets	(c)	390,635	385,246
Land use rights		332,371	339,491
Leasehold improvements		93,565	109,049
Prepaid enterprise income tax		68,204	–
Prepayments		52,269	212,928
Sub-total		4,509,690	3,654,742
Less: allowance for impairment losses		(22,322)	(22,322)
Total		4,487,368	3,632,420

(a) Interest receivables

	31 December 2021	31 December 2020
Interest receivables arising from:		
– Investments	956,381	626,926
– Loans and advances to customers	34,851	113,579
– Others	129,665	37,175
Sub-total	1,120,897	777,680
Less: allowance for impairment losses	(19,397)	(19,397)
Total	1,101,500	758,283

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

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24 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	2021	2020
Cost		
As at 1 January	935,608	728,849
Additions	198,233	206,759
Decrease	(26,193)	–
As at 31 December	1,107,648	935,608
Accumulated amortisation		
As at 1 January	(260,948)	(187,691)
Additions	(93,826)	(73,257)
Decrease	24,985	–
As at 31 December	(329,789)	(260,948)
Net book value		
As at 1 January	674,660	541,158
As at 31 December	777,859	674,660

Intangible assets of the Group mainly represent computer software.

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24 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
Cost				
As at 1 January 2020	530,355	7,865	2,757	540,977
Additions	79,547	3,237	3,471	86,255
Disposals	(56,939)	(2,531)	(697)	(60,167)
As at 31 December 2020	552,963	8,571	5,531	567,065
Additions	138,798	5,444	2,029	146,271
Disposals	(58,195)	(4,290)	(5,242)	(67,727)
As at 31 December 2021	633,566	9,725	2,318	645,609
Accumulated depreciation				
As at 1 January 2020	(111,162)	(3,661)	(916)	(115,739)
Additions	(121,672)	(3,499)	(1,076)	(126,247)
Disposals	56,939	2,531	697	60,167
As at 31 December 2020	(175,895)	(4,629)	(1,295)	(181,819)
Additions	(133,353)	(3,275)	(4,254)	(140,882)
Disposals	58,195	4,290	5,242	67,727
As at 31 December 2021	(251,053)	(3,614)	(307)	(254,974)
Net book value				
As at 31 December 2020	377,068	3,942	4,236	385,246
As at 31 December 2021	382,513	6,111	2,011	390,635

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24 OTHER ASSETS (CONTINUED)

(d) Continuously involved assets

In 2020, the Bank, as the initiator, entrusted part of the personal housing mortgage loans to Huaneng Guicheng Trust Co., Ltd., and established the first phase of Yuding's 2020 personal housing mortgage loan securitization trust to issue asset-backed securities under the trust, among which, the total face value of "priority asset-backed security" is RMB2,910 million, and the total face value of "secondary asset-backed security" is RMB589 million.

The Bank neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control and has continuing involvement in these financial assets. As at 31 December 2021, the Bank continued to recognize the financial assets with carrying amount of RMB589 million (31 December 2020: RMB589 million) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

25 DUE TO CENTRAL BANK

	31 December 2021	31 December 2020
Due to central bank	22,583,201	25,732,350
Interest accrued	202,494	234,295
Total	22,785,695	25,966,645

Due to central bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
In mainland China		
– Banks	19,309,231	16,713,991
– Other financial institutions	18,075,911	3,362,802
– Interest accrued	281,278	133,611
Total	37,666,420	20,210,404

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27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021	31 December 2020
In mainland China		
– Banks	23,936,963	20,248,370
– Other financial institutions	3,350,000	–
Interest accrued	350,013	219,223
Total	27,636,976	20,467,593

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts which are non-deliverable forwards.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2021		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	6,248,186	173,981	–
Total	6,248,186	173,981	–

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28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2020		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	6,002,908	362,970	–
Total	6,002,908	362,970	–

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In mainland China		
– PBOC	2,150,000	9,810,000
– Banks	10,212,765	11,486,094
– Interest accrued	8,649	7,336
Total	12,371,414	21,303,430

(b) Analysed by type of collateral

	31 December 2021	31 December 2020
Debt securities	9,841,300	20,296,499
Bills	2,521,465	999,595
Interest accrued	8,649	7,336
Total	12,371,414	21,303,430

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30 DEPOSITS FROM CUSTOMERS

	31 December 2021	31 December 2020
Demand deposits		
– Corporate deposits	88,226,614	73,645,804
– Personal deposits	36,268,084	30,426,964
Sub-total	124,494,698	104,072,768
Time deposits		
– Corporate deposits	75,143,583	102,023,433
– Personal deposits	85,412,343	77,347,598
Sub-total	160,555,926	179,371,031
Pledged deposits		
– Acceptances	23,636,461	22,544,745
– Letters of guarantees	590,796	644,650
– Letters of credit	7,547,305	5,137,317
– Others	1,590,935	1,948,640
Sub-total	33,365,497	30,275,352
Others	397,329	511,269
Sub-total	397,329	511,269
Interest accrued	2,760,765	2,282,315
Total	321,574,215	316,512,735

Deposits from customers are measured at amortised cost.

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31 DEBT SECURITIES ISSUED

	Note	31 December 2021	31 December 2020
Financial bonds	(a)	8,397,422	3,396,793
Tier-two capital bonds	(b)	1,999,595	4,998,301
Interbank deposits		79,502,626	84,639,629
Interest accrued		177,074	129,334
Total		90,076,717	93,164,057

(a) Financial bonds

Fixed rate financial bonds of RMB5.0 billion with a term of three years was issued in August 2021. The coupon rate is 3.16% per annum.

Fixed rate financial bonds of RMB1.4 billion with a term of three years was issued in November 2020 by Henan Jiuding Financial Leasing Co., Ltd.. The coupon rate is 4.20% per annum.

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016. The coupon rate is 4.10% per annum. This tier-two capital bond was called at par value in December 2021.

32 OTHER LIABILITIES

	Note	31 December 2021	31 December 2020
Accrued staff costs	(a)	908,965	794,032
Finance lease payable		405,583	716,358
Dormant accounts		44,922	35,572
Payment and collection clearance accounts		54,258	194,292
Dividend payable		27,076	28,329
Expected credit losses of credit commitment	(b)	208,600	211,170
Lease liabilities	(c)	369,216	347,056
Continuously involved liabilities	24(d)	588,853	588,853
Others		489,500	647,693
Total		3,096,973	3,563,355

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32 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs

	Note	31 December 2021	31 December 2020
Salary, bonuses and allowances payable		708,394	619,831
Social insurance and annuity payable		223	106
Housing allowances payable		97	78
Labor union fee, staff and workers' education fee		3,015	2,309
Supplementary retirement benefits payable	(1)	196,079	171,708
Other short-term salary payable		1,157	–
Total		908,965	794,032

(1) Supplementary retirement benefits ("SRB")

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in China) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd.. The signed actuaries are North American Actuary (FSA) and Chinese Actuary (FCAA).

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2021	31 December 2020
Present value of early retirement plan	14,930	17,326
Present value of supplementary retirement plan	181,149	154,382
Total	196,079	171,708

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32 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB") (Continued)

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2021	2020
As at 1 January	171,708	183,231
Benefits paid during the year	(15,447)	(15,415)
Defined benefit cost recognised in profit or loss	31,516	4,837
Defined benefit cost recognised in other comprehensive income	8,302	(945)
As at 31 December	196,079	171,708

(iii) Key actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2021	31 December 2020
Discount rate	2.50%	2.80%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	6.00%	6.00%

Supplementary retirement plan	31 December 2021	31 December 2020
Discount rate	3.00%	3.50%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 – 105	31 December 2021	31 December 2020
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%

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32 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitment

As at 31 December, movements of expected credit losses of credit commitment during the year are as follows:

	31 December 2021			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2021	195,496	589	15,085	211,170
Transferred:				
– to 12-months ECL	5,134	(512)	(4,622)	–
– to lifetime ECL not credit-impaired	(3)	5	(2)	–
– to lifetime ECL credit-impaired	(3)	(57)	60	–
(Reversal)/charge for the year	(6,794)	172	4,052	(2,570)
As at 31 December 2021	193,830	197	14,573	208,600

	31 December 2020			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2020	284,626	583	2,414	287,623
Transferred:				
– to 12-months ECL	487	(28)	(459)	–
– to lifetime ECL not credit-impaired	(11)	34	(23)	–
– to lifetime ECL credit-impaired	(15)	(40)	55	–
(Reversal)/charge for the year	(89,591)	40	13,098	(76,453)
As at 31 December 2020	195,496	589	15,085	211,170

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32 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2021	31 December 2020
Within one year (inclusive)	119,983	109,106
Between one year and two years (inclusive)	93,786	87,003
Between two years and three years (inclusive)	76,873	69,133
Between three years and five years (inclusive)	104,051	99,755
More than five years	24,323	41,945
Total undiscounted lease liabilities	419,016	406,942
Total	369,216	347,056

33 SHARE CAPITAL

Authorised and issued share capital

	31 December 2021	31 December 2020
Ordinary shares listed in Mainland China (A-share)	6,428,758	5,844,325
Ordinary shares listed in Hong Kong (H-share)	1,836,780	1,669,800
Total	8,265,538	7,514,125

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

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33 SHARE CAPITAL (CONTINUED)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the “A-share offering”). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

In June 2020, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased was 592 million.

In November 2020, the Bank issued 1 billion A-shares with a par value of RMB1 at an offering price of RMB4.64 per share (the “non-public A-share offering”). The premium arising from the non-public A-share offering amounting to RMB3,632 million was recorded in capital reserve.

In December 2021, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all shareholders, and the total number of shares increased was 751 million.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

34 RESERVES

(a) Capital reserve

	31 December 2021	31 December 2020
Share premium	7,387,875	8,139,288
Others	64,615	64,615
Total	7,452,490	8,203,903

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. In 2021, the bank appropriate statutory surplus reserve of about RMB305 million (In 2020: RMB301 million).

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

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34 RESERVES (CONTINUED)

(c) General reserve

With effect from 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. In 2021, the bank set aside a general reserve of about RMB273 million (In 2020, RMB458 million).

(d) Fair value reserve

	2021	2020
As at 1 January	(698,206)	97,063
Change in fair value/credit losses recognised in other comprehensive income	43,718,227	689,271
Transfer to profit or loss upon disposal	(43,018,562)	(1,749,630)
Less: deferred income tax	(174,916)	265,090
Sub-total	524,749	(795,269)
As at 31 December	(173,457)	(698,206)

(e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2021	2020
As at 1 January	(60,953)	(46,424)
Remeasurement of net defined benefit liability	8,302	(945)
Less: deferred income tax	-	15,474
Sub-total	(8,302)	(14,529)
As at 31 December	(69,255)	(60,953)

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34 RESERVES (CONTINUED)

(f) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

The Bank

		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
	<i>Note</i>									
Balance at 1 January 2021		7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131
Profit for the year		-	-	-	-	-	-	-	3,051,047	3,051,047
Other comprehensive income		-	-	-	-	-	524,749	(8,302)	-	516,447
Total comprehensive income		-	-	-	-	-	524,749	(8,302)	3,051,047	3,567,494
Issuance of perpetual debts	36	-	9,998,855	-	-	-	-	-	-	9,998,855
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	305,105	-	-	-	(305,105)	-
- Appropriation to general reserve	34(c)	-	-	-	-	273,000	-	-	(273,000)	-
- Cash dividend on ordinary shares	35	-	-	-	-	-	-	-	-	-
- Cash dividend on preference shares	35	-	-	-	-	-	-	-	(470,209)	(470,209)
Capital reserve converted into share capital		751,413	-	(751,413)	-	-	-	-	-	-
Sub-total		751,413	9,998,855	(751,413)	305,105	273,000	-	-	2,002,733	12,579,693
Balance at 31 December 2021		8,265,538	17,824,363	7,452,548	3,281,678	7,244,200	(173,457)	(69,255)	13,429,656	57,255,271

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34 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

The Bank (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020		5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882
Profit for the year		-	-	-	-	-	-	-	3,010,254	3,010,254
Other comprehensive income		-	-	-	-	-	(795,282)	(14,529)	-	(809,811)
Total comprehensive income		-	-	-	-	-	(795,282)	(14,529)	3,010,254	2,200,443
Share capital invested by Private A-Share holders		1,000,000	-	3,632,441	-	-	-	-	-	4,632,441
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	301,025	-	-	-	(301,025)	-
- Appropriation to general reserve	34(c)	-	-	-	-	458,000	-	-	(458,000)	-
- Cash dividend on ordinary shares	35	-	-	-	-	-	-	-	(592,193)	(592,193)
- Cash dividend on preference shares	35	-	-	-	-	-	-	-	(493,442)	(493,442)
Capital reserve converted into share capital		592,193	-	(592,193)	-	-	-	-	-	-
Sub-total		1,592,193	-	3,040,248	301,025	458,000	-	-	(1,844,660)	3,546,806
Balance at 31 December 2020		7,514,125	7,825,508	8,203,961	2,976,573	6,971,200	(698,206)	(60,953)	11,426,923	44,159,131

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35 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's board of directors meeting held on 30 March 2022, no cash dividends will be distributed for the year ended 31 December 2021, and no bonus shares or new shares will be issued by way of capitalization issue.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) Dividends for Preference Shares

As per the resolution and authorization of the shareholders' General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 27 August 2021, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2021.

Dividends on the Bank's offshore preference shares are paid annually in cash and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD65.51 million, aggregating to RMB470.21 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

(c) Retained earnings

As of 31 December 2021, retained earnings of the Group included the statutory surplus reserve of RMB62 million appropriated by the subsidiaries and attributable to the Bank (31 December 2020: RMB44 million).

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36 OTHER EQUITY INSTRUMENTS

Other equity instruments outstanding at the end of the year:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares ⁽¹⁾	2017/10/18	Equity	5.50%	USD20/ share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		
Undated additional tier 1 capital bonds ⁽²⁾	2021/11/11	Equity	4.80%	RMB100	100,000,000	10,000	10,000	None	None
Less: issuing cost							(2)		
Book value							9,998		
Total							17,824		

Main clause

a. Offshore preference shares

(1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

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36 OTHER EQUITY INSTRUMENTS (CONTINUED)

Main clause (Continued)

a. Offshore preference shares (Continued)

(1) Dividend (Continued)

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the shareholders' general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the annual general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the by the annual general meeting until the resumption of payment of dividends in full.

(2) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(3) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

(4) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

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36 OTHER EQUITY INSTRUMENTS (CONTINUED)

Main clause (Continued)

a. Offshore preference shares (Continued)

(4) Mandatory conversion trigger events (Continued)

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

b. Undated additional tier 1 capital bonds

(1) Issuance

With the approvals by relevant regulatory authorities, the Bank issued undated additional tier 1 capital bonds with the amount of RMB10,000 million in the national interbank bond market on 11 November 2021 (hereinafter referred to as "Perpetual Bond"). Each Perpetual Bond has a par value of RMB100, and the annual coupon rate of the Bonds for the first five years is 4.80%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

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36 OTHER EQUITY INSTRUMENTS (CONTINUED)

Main clause (Continued)

b. Undated additional tier 1 capital bonds (Continued)

(2) Conditional redemption

The duration of the Perpetual Bond is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bond, the Bank shall have the right to redeem the Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bond, in the event that the Perpetual Bond is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bond fully instead of partly.

(3) The claims of the holders of the Bonds

The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will 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 Bonds.

(4) Write down clauses

Upon the occurrence of the non survival trigger event, without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The non survival trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write down is unrecoverable.

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36 OTHER EQUITY INSTRUMENTS (CONTINUED)

Main clause (Continued)

b. Undated additional tier 1 capital bonds (Continued)

(5) Distributions

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The funds raised by the Bank from the above-mentioned Perpetual Bond will be approved by applicable laws and regulatory agencies to supplement other Tier 1 capital of the Bank.

37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2021	31 December 2020
Cash on hand	894,278	1,054,965
Surplus deposit reserves with central bank	14,271,762	13,403,352
Deposits with banks and other financial institutions with original maturity of three months or less	2,414,499	2,058,021
Placements with banks and other financial institutions with original maturity of three months or less	3,831,794	3,083,714
Total	21,412,333	19,600,052

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37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities				Equity					Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Other equity instruments	Retained earnings	Non-controlling interests		
Balance at 1 January 2021	93,034,723	129,334	347,056	28,329	15,718,028	7,825,508	11,655,496	1,477,024	130,215,498	
Cash flows from financing activities	-	-	-	-	-	-	-	-	-	
Proceeds received from issuance of Perpetual debts	-	-	-	-	-	9,998,855	-	-	9,998,855	
Proceeds received from debt securities issued	133,122,114	-	-	-	-	-	-	-	133,122,114	
Interest paid on debt securities issued	(41,622)	47,740	-	-	-	-	(2,740,250)	(3,121)	(2,737,253)	
Repayment of debt securities issued	(136,215,573)	-	-	-	-	-	-	-	(136,215,573)	
Dividends paid on ordinary shares	-	-	-	(1,253)	-	-	-	(3,430)	(4,683)	
Dividends paid on preference shares	-	-	-	-	-	-	(470,209)	-	(470,209)	
Cash flows arising from other financing activities	-	-	(115,868)	-	-	-	(14,606)	(278)	(130,752)	
Net cash flows used in financing activities	(3,135,081)	47,740	(115,868)	(1,253)	-	9,998,855	(3,225,065)	(6,829)	3,562,499	
Total equity-related other change	-	-	-	-	-	-	5,400,801	173,153	5,573,954	
Other changes	-	-	138,028	-	-	-	-	-	138,028	
Balance at 31 December 2021	89,899,642	177,074	369,216	27,076	15,718,028	17,824,363	13,831,232	1,643,348	139,489,979	

Notes to the Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Liabilities				Equity			Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Retained earnings	Non-controlling interests	
Balance at 1 January 2020	105,077,932	167,735	383,405	28,528	11,085,587	10,333,487	1,301,300	128,377,974
Cash flows from financing activities								
Proceeds received from issuance of Private A-share	-	-	-	-	4,632,441	-	-	4,632,441
Capital contribution by non-controlling interests	-	-	-	-	-	-	24,500	24,500
Proceeds received from debt securities issued	115,922,786	-	-	-	-	-	-	115,922,786
Interest paid on debt securities issued	(375,846)	(38,401)	-	-	-	(2,838,578)	(3,070)	(3,255,895)
Repayment of debt securities issued	(127,590,149)	-	-	-	-	-	-	(127,590,149)
Dividends paid on ordinary shares	-	-	-	(199)	-	(592,193)	(2,092)	(594,484)
Dividends paid on preference shares	-	-	-	-	-	(493,442)	-	(493,442)
Cash flows arising from other financing activities	-	-	(109,306)	-	-	(13,689)	(100)	(123,095)
Net cash flows used in financing activities	(12,043,209)	(38,401)	(109,306)	(199)	4,632,441	(3,937,902)	19,238	(11,477,338)
Total equity-related other change	-	-	-	-	-	5,259,911	156,486	5,416,397
Other changes	-	-	72,957	-	-	-	-	72,957
Balance at 31 December 2020	93,034,723	129,334	347,056	28,329	15,718,028	11,655,496	1,477,024	122,389,990

Notes to the Financial Statements

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	31 December 2021	31 December 2020
Zhengzhou Finance Bureau	7.23%	7.23%
Zhengzhou Investment Holdings Co., Ltd.	5.44%	5.44%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 38 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 32(a)).

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and advances to customers and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions with major shareholders

	31 December 2021	31 December 2020
Balances at the end of the year:		
Financial investments measured at amortised cost	895,199	265,569
Financial investments at fair value through profit or loss	—	30,488
Deposits from customers	989,916	1,635,155
Other liabilities	63,686	63,686

Notes to the Financial Statements

For the year ended 31 December 2021
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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions with major shareholders (Continued)

	2021	2020
Transactions during the year:		
Interest income	30,368	2,258
Interest expense	30,824	30,382

(ii) Transactions with subsidiaries

	31 December 2021	31 December 2020
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	-	100,000
Deposits from banks and other financial institutions	1,747,962	923,777
Guarantee for subsidiaries	125,090	170,000

	2021	2020
Transactions during the year:		
Interest income	790	-
Interest expense	112,336	83,418

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(iii) Transactions with associates

	31 December 2021	31 December 2020
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	301,574	931
Deposits from banks and other financial institutions	1,383,084	610,508

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates (Continued)

	2021	2020
Transactions during the year:		
Interest income	857	32
Interest expense	199,570	165,023

(iv) Transactions with other major related parties

	31 December 2021	31 December 2020
Balances at the end of the year:		
Loans and advances to customers	11,641,681	7,955,720
Financial investments measured at amortised cost	5,636,791	5,363,587
Financial investments at fair value through profit or loss	511,742	428,467
Financial investments at fair value through other comprehensive income	118,837	-
Deposits from customers	3,446,587	3,163,392
Deposits from banks and other financial institutions	39,651	212,776
	2021	2020
Transactions during the year:		
Interest income	2,101,219	701,925
Interest expense	569,598	386,440

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	31 December 2021	31 December 2020
Balances at the end of the year:		
Loans and advances to customers	4,035	7,788
Deposits from customers	25,971	29,262
	2021	2020
Transactions during the year:		
Interest income	4,034	4,138
Interest expense	1,302	2,608

(ii) Key management personnel remuneration

	2021	2020
Salaries and other emoluments	12,048	11,393
Discretionary bonuses	22,792	24,539
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,247	1,449
Total	36,087	37,381

The remuneration of key management personnel of the Bank in 2021 and 2020 has been reviewed by the Party Committee of the Bank, approved by the Remuneration and Appraisal Committee of the Board of Directors, and approved by the Board of Directors.

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the year ended 31 December 2021 and 31 December 2020.

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	31 December 2021	31 December 2020
Aggregate amount of relevant loans outstanding as at the year end	4,035	7,788
Maximum aggregate amount of relevant loans outstanding during the year	4,035	8,334

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at 31 December 2021 (2020: Nil).

39 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, financial leasing, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	Year ended 31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	8,248,130	957,468	2,743,273	-	11,948,871
Internal net interest income/(expense)	(139,538)	568,897	(429,359)	-	-
Net interest income	8,108,592	1,526,365	2,313,914	-	11,948,871
Net fee and commission income	315,617	74,637	851,330	-	1,241,584
Net trading gains	76,766	-	611,108	-	687,874
Net gains arising from investments	-	-	870,283	-	870,283
Other operating income	-	-	-	62,293	62,293
Operating income	8,500,975	1,601,002	4,646,635	62,293	14,810,905
Operating expenses	(1,968,799)	(595,457)	(977,245)	(25,072)	(3,566,573)
Impairment losses on assets	(3,949,946)	(245,419)	(3,067,665)	-	(7,263,030)
Operating profit	2,582,230	760,126	601,725	37,221	3,981,302
Share of profits of associates	-	-	-	6,836	6,836
Profit before taxation	2,582,230	760,126	601,725	44,057	3,988,138
Other segment information					
- Depreciation and amortisation	180,693	232,734	40,594	-	454,021
- Capital expenditure	325,673	98,425	167,030	1,786	592,914

Notes to the Financial Statements

For the year ended 31 December 2021
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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2021				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	258,723,296	88,962,885	221,925,492	1,467,700	571,079,373
Deferred tax assets					3,900,289
Total assets					574,979,662
Segment liabilities/total liabilities	199,852,654	123,287,430	190,792,005	1,636,033	515,568,122
Credit commitments	96,099,861	4,749,329	-	-	100,849,190
	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	5,574,731	931,896	4,732,535	-	11,239,162
Internal net interest income/(expense)	621,747	541,127	(1,162,874)	-	-
Net interest income	6,196,478	1,473,023	3,569,661	-	11,239,162
Net fee and commission income	464,713	73,547	1,191,726	-	1,729,986
Net trading gains	79,569	-	288,770	-	368,339
Net gains arising from investments	-	-	1,187,922	-	1,187,922
Other operating income	-	-	-	54,260	54,260
Operating income	6,740,760	1,546,570	6,238,079	54,260	14,579,669
Operating expenses	(1,556,044)	(556,488)	(1,276,438)	(28,810)	(3,417,780)
Impairment losses on assets	(4,766,357)	(930,904)	(1,487,196)	-	(7,184,457)
Operating profit	418,359	59,178	3,474,445	25,450	3,977,432
Share of profits of associates	-	-	-	35,035	35,035
Profit before taxation	418,359	59,178	3,474,445	60,485	4,012,467
Other segment information					
- Depreciation and amortisation	171,892	212,276	55,366	-	439,534
- Capital expenditure	318,330	113,392	271,200	3,369	706,291

Notes to the Financial Statements

For the year ended 31 December 2021
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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	Year ended 31 December 2020				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	211,200,268	81,741,903	250,158,472	993,839	544,094,482
Deferred tax assets					3,718,962
Total assets					547,813,444
Segment liabilities/total liabilities	207,538,269	110,336,551	182,410,317	1,556,386	501,841,523
Credit commitments	130,081,311	3,890,102	-	-	133,971,413

(b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

40 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

Notes to the Financial Statements

For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

Notes to the Financial Statements

For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(i) Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the borrower meets one or more of the following criteria:

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect in the borrower's business conditions
- Less value of the collaterals (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial instruments related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2021, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

(ii) Definition of "default" and "credit-impaired assets"

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(1) Quantitative criterion

The financial asset is more than 90 days past due.

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(ii) Definition of “default” and “credit-impaired assets” (Continued)

(2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower
- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 42(a).

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	31 December 2021	31 December 2020
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	1,040,647	149,166
– Neither overdue nor credit-impaired	273,174,152	225,066,268
Sub-total	274,214,799	225,215,434
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,988,924	1,556,280
– Neither overdue nor credit-impaired	5,345,529	4,445,098
Sub-total	7,334,453	6,001,378
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	5,320,727	5,535,445
– Not overdue but credit-impaired	2,157,689	1,206,933
Sub-total	7,478,416	6,742,378
Interest accrued	1,439,787	1,046,446
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(8,068,364)	(7,755,623)
Net loans and advances to customers	282,399,091	231,250,013

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	31 December 2021	31 December 2020
Corporate loans and advances	204,500,708	164,201,583
Personal loans and advances	74,018,973	65,309,783
Total gross balance	278,519,681	229,511,366

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	31 December 2021		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	2,024,073	605,777	2,629,850
Personal loans and advances	210,399	189,322	399,721
Total gross balance	2,234,472	795,099	3,029,571

	31 December 2020		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	688,978	597,641	1,286,619
Personal loans and advances	176,637	242,190	418,827
Total gross balance	865,615	839,831	1,705,446

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	31 December 2021	31 December 2020
Fair value of collateral held against loans and advances overdue but not credit-impaired	2,366,534	1,518,197

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For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	31 December 2021	31 December 2020
Gross balance		
Corporate loans and advances	5,759,011	5,142,051
Personal loans and advances	1,719,405	1,600,327
Sub-total	7,478,416	6,742,378
Interest accrued		
Corporate loans and advances	156,189	75,910
Personal loans and advances	259	209
Sub-total	156,448	76,119
Provision for impairment losses		
Corporate loans and advances	(2,292,142)	(2,440,746)
Personal loans and advances	(791,893)	(739,587)
Sub-total	(3,084,035)	(3,180,333)
Net balance		
Corporate loans and advances	3,623,058	2,777,215
Personal loans and advances	927,771	860,949
Total	4,550,829	3,638,164
Fair value of collateral held against credit-impaired loans and advances	10,655,126	7,537,363

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(Expressed in thousands of Renminbi, unless otherwise stated)

40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2021	31 December 2020
Carrying amount		
– grade A to AAA	14,501,908	9,999,053
– unrated	6,977,981	4,027,759
Total	21,479,889	14,026,812

As at 31 December 2021 and 31 December 2020, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(4) Debt securities investments

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies such as Wind. The gross balance amounts of debt securities investments analysed by rating as at the end of the reporting period/year are as follows:

	31 December 2021						
	Unrated	AAA	AA+	AA	AA-	Below A	Total
Debt securities							
– Government	–	48,655,235	–	–	–	–	48,655,235
– Policy banks	–	38,590,239	–	–	–	–	38,590,239
– Banks and other financial institutions	591,825	1,311,069	–	–	–	–	1,902,894
– Corporate	2,025,537	236,739	130,659	800,868	417,002	878,144	4,488,949
Total	2,617,362	88,793,282	130,659	800,868	417,002	878,144	93,637,317
	31 December 2020						
	Unrated	AAA	AA+	AA	AA-	Below A	Total
Debt securities							
– Government	–	40,932,705	–	–	–	–	40,932,705
– Policy banks	–	40,317,999	–	–	–	–	40,317,999
– Banks and other financial institutions	1,282,624	505,855	83,085	–	–	–	1,871,564
– Corporate	2,724,288	601,810	1,095,475	374,276	54,737	1,717,475	6,568,061
Total	4,006,912	82,358,369	1,178,560	374,276	54,737	1,717,475	89,690,329

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(5) Financial investments measured at amortised cost

The Group

	31 December 2021	31 December 2020
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	–	–
– Neither overdue nor credit-impaired	127,183,480	151,903,464
Less: Provision for impairment losses	(425,701)	(781,360)
Sub-total	126,757,779	151,122,104
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL	–	–
– Overdue but not credit-impaired	–	–
– Neither overdue nor credit-impaired	2,306,708	2,488,948
Less: Provision for impairment losses	(335,640)	(355,976)
Sub-total	1,971,068	2,132,972
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL	–	–
– Overdue and credit-impaired	12,711,990	11,905,975
Less: Provision for impairment losses	(3,795,044)	(2,744,272)
Sub-total	8,916,946	9,161,703
Interest accrued	1,682,594	1,813,790
Total	139,328,387	164,230,569
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	16,576,684	13,012,098

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(5) Financial investments measured at amortised cost (Continued)

The Group (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Asset and Liability Management Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2021					
	Total	Non-interest bearing	Within	Between	Between	More than five years
			three months (inclusive)	three months and one year (inclusive)	one year and five years (inclusive)	
Assets						
Cash and deposits with central bank	33,433,058	1,497,208	31,935,850	-	-	-
Deposits/placements with banks and other financial institutions	7,101,271	5,643	6,795,663	299,965	-	-
Financial assets held under resale agreements	14,228,603	2,258	14,226,345	-	-	-
Loans and advances to customers ⁽¹⁾	282,399,091	1,439,787	47,881,575	130,532,150	95,944,936	6,600,643
Investments ⁽²⁾	198,156,710	2,250,978	42,099,932	34,394,581	79,458,351	39,952,868
Lease receivables ⁽¹⁾	28,224,856	301,288	25,745,610	1,923,890	-	254,068
Others	11,436,073	11,436,073	-	-	-	-
Total assets	574,979,662	16,933,235	168,684,975	167,150,586	175,403,287	46,807,579
Liabilities						
Due to central bank	22,785,695	704,202	6,407,713	15,673,780	-	-
Deposits/placements from banks and other financial institutions	65,303,396	631,292	28,138,034	36,534,070	-	-
Financial assets sold under repurchase agreements	12,371,414	-	10,548,344	1,823,070	-	-
Deposits from customers	321,574,215	3,096,833	153,405,779	64,646,754	100,424,795	54
Debt securities issued	90,076,717	177,074	25,878,316	55,623,890	6,397,842	1,999,595
Others	3,456,685	3,456,685	-	-	-	-
Total liabilities	515,568,122	8,066,086	224,378,186	174,301,564	106,822,637	1,999,649
Asset-liability gap	59,411,540	8,867,149	(55,693,211)	(7,150,978)	68,580,650	44,807,930

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2020					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	36,492,083	1,512,541	34,979,542	-	-	-
Deposits/placements with banks and other financial institutions	5,441,165	1,034	5,140,131	300,000	-	-
Financial assets held under resale agreements	8,585,647	1,448	8,584,199	-	-	-
Loans and advances to customers (1)	231,250,013	1,046,447	41,441,609	110,329,250	71,147,326	7,285,381
Investments (2)	233,077,557	2,380,546	44,294,016	39,090,587	98,221,903	49,090,505
Lease receivables (1)	22,565,825	280,757	19,360,144	2,924,924	-	-
Others	10,401,154	10,401,154	-	-	-	-
Total assets	547,813,444	15,623,927	153,799,641	152,644,761	169,369,229	56,375,886
Liabilities						
Due to central bank	25,966,645	234,295	6,127,627	19,604,723	-	-
Deposits/placements from banks and other financial institutions	40,677,997	352,834	17,222,793	23,102,370	-	-
Financial assets sold under repurchase agreements	21,303,430	7,336	21,296,094	-	-	-
Deposits from customers	316,512,735	2,747,184	128,633,885	46,898,982	138,232,684	-
Debt securities issued	93,164,057	129,334	3,400,033	81,239,596	3,395,094	5,000,000
Others	4,216,659	4,216,659	-	-	-	-
Total liabilities	501,841,523	7,687,642	176,680,432	170,845,671	141,627,778	5,000,000
Asset-liability gap	45,971,921	7,936,285	(22,880,791)	(18,200,910)	27,741,451	51,375,886

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For the year ended 31 December 2021
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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 31 December 2021 includes overdue amounts (net of allowance for impairment losses) of RMB5,685 million (31 December 2020: RMB4,371 million). For the Group's lease receivables, the category "Within three months (inclusive)" as at 31 December 2021 includes overdue amounts (net of allowance for impairment losses) of RMB1,269 million (31 December 2020: RMB375 million).
- (2) As at 31 December 2021, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 31 December 2021 includes overdue amounts (net of allowance for impairment losses) of RMB7,422 million (31 December 2020: RMB6,980 million).

(ii) Interest rate sensitivity analysis

	31 December 2021 (Decrease)/increase	31 December 2020 (Decrease)/increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(457,923)	(273,964)
Down 100 bps parallel shift in yield curves	457,923	273,964
Changes in equity		
Up 100 bps parallel shift in yield curves	(1,124,968)	(1,316,977)
Down 100 bps parallel shift in yield curves	1,175,777	1,409,430

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net interest income and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

The Group's currency risk mainly arises from foreign currency investments and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2021			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	33,233,557	195,710	3,791	33,433,058
Deposits/placements with banks and other financial institutions	2,594,665	4,362,277	144,329	7,101,271
Financial assets held under resale agreements	14,228,603	-	-	14,228,603
Loans and advances to customers	282,159,921	239,170	-	282,399,091
Investments (i)	189,815,710	8,341,000	-	198,156,710
Lease receivables	28,224,856	-	-	28,224,856
Others	11,386,873	49,200	-	11,436,073
Total assets	561,644,185	13,187,357	148,120	574,979,662
Liabilities				
Due to central bank	22,785,695	-	-	22,785,695
Deposits/placements from banks and other financial institutions	65,144,003	159,393	-	65,303,396
Financial assets sold under repurchase agreements	12,371,414	-	-	12,371,414
Deposits from customers	319,638,585	1,935,517	113	321,574,215
Debt securities issued	90,076,717	-	-	90,076,717
Others	2,797,736	187,778	471,171	3,456,685
Total liabilities	512,814,150	2,282,688	471,284	515,568,122
Net position	48,830,035	10,904,669	(323,164)	59,411,540
Off-balance sheet credit commitments	97,664,379	3,184,811	-	100,849,190

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2020			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	36,359,440	129,070	3,573	36,492,083
Deposits/placements with banks and other financial institutions	2,841,115	2,431,742	168,308	5,441,165
Financial assets held under resale agreements	8,585,647	–	–	8,585,647
Loans and advances to customers	230,301,097	948,916	–	231,250,013
Investments <i>(j)</i>	223,832,722	9,244,835	–	233,077,557
Lease receivables	22,565,825	–	–	22,565,825
Others	9,957,151	444,003	–	10,401,154
Total assets	534,442,997	13,198,566	171,881	547,813,444
Liabilities				
Due to central bank	25,966,645	–	–	25,966,645
Deposits/placements from banks and other financial institutions	40,677,997	–	–	40,677,997
Financial assets sold under repurchase agreements	21,303,430	–	–	21,303,430
Deposits from customers	313,783,754	2,728,460	521	316,512,735
Debt securities issued	93,164,057	–	–	93,164,057
Others	3,545,635	185,999	485,025	4,216,659
Total liabilities	498,441,518	2,914,459	485,546	501,841,523
Net position	36,001,479	10,284,107	(313,665)	45,971,921
Off-balance sheet credit commitments	130,772,523	3,164,086	34,804	133,971,413

(i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

Change in profit after taxation and equity	31 December 2021 Increase/(decrease)	31 December 2020 Increase/(decrease)
Up 100 bps change of foreign exchange rate	12,447	11,460
Down 100 bps change of foreign exchange rate	(12,447)	(11,460)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk and established a liquidity risk management structure which mainly comprises decision-making organization, execution organization and supervision organization. The responsibilities of them are as follows:

- The Board and its Risk Management Committee are the decision-making bodies for liquidity risk management that assume the ultimate responsibility for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- Senior management and its Asset and Liability Management Committee, Asset and Liability Management Department and other relevant business departments are the executive bodies for liquidity risk management. Senior management is responsible for organization and implementation of liquidity risk management; the Asset and Liability Management Department is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to the Senior management;
- The Board of Supervisors, the Internal Audit Office under the Board and the Legal Affairs and Compliance Department are the supervisory bodies for liquidity risk management and are responsible for supervising and evaluating the fulfilment of duties of the Board and senior management in liquidity risk management.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including liquidity ratio, reserve ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio, etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2021						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	18,256,889	15,166,040	10,129	-	-	-	33,433,058
Deposits/placements with banks and other financial institutions	-	2,307,094	4,492,948	301,229	-	-	7,101,271
Financial assets held under resale agreements	-	-	14,228,603	-	-	-	14,228,603
Loans and advances to customers	2,579,848	386,368	40,956,940	77,188,697	107,879,437	53,407,801	282,399,091
Investments (i)	7,881,673	-	21,539,677	44,237,411	83,845,801	40,652,148	198,156,710
Lease receivables	1,465,023	177,255	2,928,494	6,591,751	16,892,040	170,293	28,224,856
Others	8,058,790	1,109,674	1,109,492	166,944	213,299	777,874	11,436,073
Total assets	38,242,223	19,146,431	85,266,283	128,486,032	208,830,577	95,008,116	574,979,662
Liabilities							
Due to central bank	-	-	6,608,607	16,177,088	-	-	22,785,695
Deposits/placements from banks and other financial institutions	-	3,881,495	24,614,135	36,807,766	-	-	65,303,396
Financial assets sold under repurchase agreements	-	-	10,548,344	1,823,070	-	-	12,371,414
Deposits from customers	-	126,447,951	30,054,661	64,646,754	100,424,795	54	321,574,215
Debt securities issued	-	-	25,878,316	55,800,964	6,397,842	1,999,595	90,076,717
Others	-	456,796	1,210,940	386,081	1,256,656	146,212	3,456,685
Total liabilities	-	130,786,242	98,915,003	175,641,723	108,079,293	2,145,861	515,568,122
Long/(short) position	38,242,223	(111,639,811)	(13,648,720)	(47,155,691)	100,751,284	92,862,255	59,411,540

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2020						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	22,017,154	14,463,038	11,891	-	-	-	36,492,083
Deposits/placements with banks and other financial institutions	-	2,025,591	3,115,574	300,000	-	-	5,441,165
Financial assets held under resale agreements	-	-	8,585,647	-	-	-	8,585,647
Loans and advances to customers	3,832,592	3,488,064	26,307,638	67,381,558	79,887,990	50,352,171	231,250,013
Investments (i)	7,703,144	-	22,722,008	50,156,403	102,503,340	49,992,662	233,077,557
Lease receivables	134,979	28,408	2,748,760	5,170,898	14,175,721	307,059	22,565,825
Others	8,082,516	96,535	910,050	201,270	300,353	810,430	10,401,154
Total assets	41,770,385	20,101,636	64,401,568	123,210,129	196,867,404	101,462,322	547,813,444
Liabilities							
Due to central bank	-	-	6,230,815	19,735,830	-	-	25,966,645
Deposits/placements from banks and other financial institutions	-	1,915,795	15,659,832	23,102,370	-	-	40,677,997
Financial assets sold under repurchase agreements	-	-	21,303,430	-	-	-	21,303,430
Deposits from customers	-	107,261,711	24,119,358	46,898,982	138,232,684	-	316,512,735
Debt securities issued	-	-	3,400,033	81,368,930	3,395,094	5,000,000	93,164,057
Others	-	1,246,035	795,264	422,443	719,705	1,033,212	4,216,659
Total liabilities	-	110,423,541	71,508,732	171,528,555	142,347,483	6,033,212	501,841,523
Long/(short) position	41,770,385	(90,321,905)	(7,107,164)	(48,318,426)	54,519,921	95,429,110	45,971,921

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(Expressed in thousands of Renminbi, unless otherwise stated)

40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2021						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank Deposits/placements from banks and other financial institutions	22,785,695	23,303,424	-	6,746,748	16,556,676	-	-
Financial assets sold under repurchase agreements	65,303,396	66,343,899	3,881,418	24,860,910	37,601,571	-	-
Deposits from customers	12,371,414	12,398,623	-	10,554,616	1,844,007	-	-
Debt securities issued	321,574,215	330,784,745	126,507,694	28,100,885	65,827,755	110,348,135	276
	90,076,717	92,058,615	-	26,088,012	56,718,368	7,156,641	2,095,594
Total	512,111,437	524,889,306	130,389,112	96,351,171	178,548,377	117,504,776	2,095,870

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period: (Continued)

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank Deposits/placements from banks and other financial institutions	25,966,645	26,617,229	-	6,373,435	20,243,794	-	-
Financial assets sold under repurchase agreements	40,677,997	41,647,223	2,049,956	15,833,978	23,763,289	-	-
Deposits from customers	21,303,430	21,322,010	-	21,322,010	-	-	-
Debt securities issued	316,512,735	327,867,827	107,342,309	22,339,322	47,862,173	150,324,023	-
	93,164,057	95,889,494	-	3,601,519	82,510,281	4,462,694	5,315,000
Total	497,624,864	513,343,783	109,392,265	69,470,264	174,379,537	154,786,717	5,315,000

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

- (ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	31 December 2021						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	173,981	182,790	-	182,790	-	-	-

	31 December 2020						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	362,970	377,360	-	377,360	-	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

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40 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2021 and 31 December 2020 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	<i>Note</i>	31 December 2021	31 December 2020
Total core tier-one capital			
– Share capital		8,265,538	7,514,125
– Valid portion of capital reserve		7,452,490	8,203,903
– Fair value reserve		(173,457)	(698,206)
– Remeasurement of net defined benefit liability		(69,255)	(60,953)
– Surplus reserve		3,281,678	2,976,573
– General reserve		7,481,353	7,078,451
– Retained earnings		13,703,472	11,655,496
– Valid portion of minority interests		1,192,294	947,757
Core tier-one capital		41,134,113	37,617,146
Core tier-one capital deductions		(1,184,947)	(1,074,912)
Net core tier-one capital		39,949,166	36,542,234
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		17,824,363	7,825,508
– Valid portion of minority interests		157,811	125,176
Net tier-one capital		57,931,340	44,492,918
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		2,000,000	5,000,000
– Surplus provision for loan impairment		2,916,530	2,932,817
– Valid portion of minority interests		318,764	253,634
Net tier-two capital		5,235,294	8,186,451
Net capital base		63,166,634	52,679,369
Total risk weighted assets	(1)	421,013,820	409,505,750
Core tier-one capital adequacy ratio		9.49%	8.92%
Tier-one capital adequacy ratio		13.76%	10.87%
Capital adequacy ratio		15.00%	12.86%

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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2021 and 31 December 2020.

41 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

(1) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Notes to the Financial Statements

For the year ended 31 December 2021
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41 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

(2) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of each of the reporting period.

(3) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	5,998,542	4,934,340	–	10,932,882
– Investment funds	–	11,147,503	–	11,147,503
– Equity investments	559,377	–	–	559,377
– Other financial investments at fair value through profit or loss	–	–	18,469,966	18,469,966
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	14,017,132	3,098,953	–	17,116,085
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	19,281,765	19,281,765
Derivative financial assets	–	173,981	–	173,981
Total	20,575,051	19,354,777	37,760,131	77,689,959
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

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41 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	7,326,043	6,564,522	–	13,890,565
– Investment funds	–	9,402,658	–	9,402,658
– Other financial investments at fair value through profit or loss	–	–	23,170,085	23,170,085
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	15,585,908	6,096,908	–	21,682,816
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	18,982,289	18,982,289
Derivative financial assets	–	362,970	–	362,970
Total	22,911,951	22,427,058	42,160,774	87,499,783
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil).

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41 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	1 January 2021	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2021	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	23,170,085	314,068	-	9,931,005	(14,945,192)	-	18,469,966	(332,223)
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	18,982,289	76,766	(115,194)	87,609,234	(87,271,330)	-	19,281,765	-
Total	42,160,774	390,834	(115,194)	97,540,239	(102,216,522)	-	37,760,131	(332,223)

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41 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2020	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2020	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	36,464,847	989,538	-	13,924,455	(28,208,755)	-	23,170,085	(667,506)
Financial investments at fair value through other comprehensive income								
– Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	14,820,967	79,569	(105,844)	69,290,013	(65,102,416)	-	18,982,289	-
Total	51,294,214	1,069,107	(105,844)	83,214,468	(93,311,171)	-	42,160,774	(667,506)

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss is recognised in the line item “net gains arising from investments” on the face of the consolidated statement of profit or loss and other comprehensive income.

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41 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	65,168,187	65,739,364	29,386,294	36,353,070	–
Total	65,168,187	65,739,364	29,386,294	36,353,070	–
Financial liabilities					
Debt securities issued					
– Financial bonds	8,502,293	8,556,863	–	8,556,863	–
– Tier-two capital bonds	2,071,798	2,162,928	–	2,162,928	–
– Interbank deposits	79,502,626	79,548,978	–	79,548,978	–
Total	90,076,717	90,268,769	–	90,268,769	–
	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	53,711,741	53,275,718	21,197,823	32,077,895	–
Total	53,711,741	53,275,718	21,197,823	32,077,895	–
Financial liabilities					
Debt securities issued					
– Financial bonds	3,447,043	3,469,554	–	3,469,554	–
– Tier-two capital bonds	5,077,385	5,101,363	–	5,101,363	–
– Interbank deposits	84,639,629	84,703,108	–	84,703,108	–
Total	93,164,057	93,274,025	–	93,274,025	–

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41 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Lease receivables	Other financial liabilities
Other financial assets	

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42 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2021	31 December 2020
Bank acceptances	79,719,509	118,049,727
Letters of credit	13,759,386	9,814,187
Guarantees	2,620,966	2,217,397
Unused credit card commitments	4,749,329	3,890,102
Total	100,849,190	133,971,413

The Group may be exposed to credit risk in all the above credit businesses. Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	31 December 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	10,923,395	16,463,452

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

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42 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

As at 31 December 2021 and 31 December 2020, the authorised capital commitments of the Group are as follows:

	31 December 2021	31 December 2020
Contracted but not paid for	154,061	111,710
Approved but not contracted for	87,308	67,538
Total	241,369	179,248

(d) Outstanding litigations and disputes

As at 31 December 2021, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2020: Nil).

(e) Pledged assets

	31 December 2021	31 December 2020
Debt securities	8,664,334	21,225,795
Total	8,664,334	21,225,795

Some of the Group's assets are pledged as collateral under repurchase agreements.

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

43 STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities are wealth management products and asset-backed securities. The Group considers whether there is control over the structured entity as the sponsor of the wealth management products and asset-backed securities, and judges whether it needs to be included in the merger based on the decision-making scope, the power held, the remuneration for providing management services and the variable income risk exposure faced. In 2021, the Group did not provide financial support to the consolidated structured entities (2020: Nil).

(b) Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under fund, trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2021	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	23,520,698	23,520,698
– Financial investments measured at amortised cost	64,647,667	64,647,667
Interest receivables	956,381	956,381
Total	89,124,746	89,124,746

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

43 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (Continued)

(1) *Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)*

	31 December 2020	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	26,240,001	26,240,001
– Financial investments measured at amortised cost	94,184,263	94,184,263
Interest receivables	616,407	616,407
Total	121,040,671	121,040,671

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the year ended 31 December 2021 amounted to RMB5,153 million (2020: RMB6,811 million).

(2) *Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in*

The types of unstructured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB47,973 million (31 December 2020: RMB49,054 million).

During the year ended 31 December 2021, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB46 million (2020: RMB120 million).

During the year ended 31 December 2021, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB9,616 million (2020: RMB25,205 million).

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2021, the entrusted loans balance of the Group is RMB15,643 million (31 December 2020: RMB8,753 million).

45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2021	31 December 2020
Assets		
Cash and deposits with central bank	33,142,477	36,215,597
Deposits with banks and other financial institutions	1,796,802	1,555,312
Placements with banks and other financial institutions	4,182,213	2,783,397
Financial assets held under resale agreements	14,228,603	8,585,647
Loans and advances to customers	280,079,869	229,337,726
Financial investments:		
Financial investments at fair value through profit or loss	40,509,728	45,763,308
Financial investments at fair value through other comprehensive income	17,311,509	21,983,430
Financial investments measured at amortised cost	139,328,387	164,230,569
Derivative financial assets	173,981	362,970
Interest in associates and subsidiaries	1,607,739	1,600,903
Property and equipment	2,781,932	2,603,954
Deferred tax assets	3,667,052	3,564,305
Other assets	4,256,360	3,559,808
Total assets	543,066,652	522,146,926
Liabilities		
Due to the central bank	22,534,998	25,797,598
Deposits from banks and other financial institutions	39,378,724	21,113,714
Placements from banks and other financial institutions	2,702,350	1,224,688
Derivative financial liabilities	-	-
Financial assets sold under repurchase agreements	12,371,414	21,303,430
Deposits from customers	317,365,543	313,514,200
Tax payable	254,945	579,484
Debt securities issued	88,671,919	91,759,860
Other liabilities	2,531,488	2,694,821
Total liabilities	485,811,381	477,987,795

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2021	31 December 2020
Equity		
Share capital	8,265,538	7,514,125
Other financial instruments		
Include: preference shares	7,825,508	7,825,508
perpetual debts	9,998,855	–
Capital reserve	7,452,548	8,203,961
Surplus reserve	3,281,678	2,976,573
General reserve	7,244,200	6,971,200
Fair value reserve	(173,457)	(698,206)
Remeasurement of net defined benefit liability	(69,255)	(60,953)
Retained earnings	13,429,656	11,426,923
Total equity	57,255,271	44,159,131
Total liabilities and equity	543,066,652	522,146,926

Approved and authorised for issue by the board of directors on 30 March 2022.

Wang Tianyu

*Chairman of the Board of Directors
Executive Director*

Shen Xueqing

*President
Executive Director*

Sun Haigang

Chief accountant

Gao Chenxin

*General Manager of the Planning and
Finance Department*

(Company chop)

Notes to the Financial Statements

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3, Reference to Conceptual Framework	1 January 2022
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 · Definition of accounting estimates	1 January 2023
Amendments to IAS12, Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	Average for the year ended	
	31 December 2021	31 December 2021
Liquidity coverage ratio (RMB and foreign currency)	339.61%	228.51%

	Average for the year ended	
	31 December 2020	31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	237.29%	198.75%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	31 December 2021	31 December 2020
Leverage ratio	8.72%	6.48%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	31 December 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,187,357	28,006	120,114	13,335,477
Spot liabilities	(2,282,688)	(471,227)	(57)	(2,753,972)
Net position	10,904,669	(443,221)	120,057	10,581,505

	31 December 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,198,566	5,750	166,131	13,370,447
Spot liabilities	(2,914,459)	(485,082)	(464)	(3,400,005)
Net position	10,284,107	(479,332)	165,667	9,970,442

The Group has no structural position at the reporting periods.

3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	31 December 2021			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,694,072	–	390,017	5,084,089
	31 December 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,385,220	–	1,516,620	5,901,840

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	31 December 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for year of		
– between 3 and 6 months (inclusive)	748,520	674,186
– between 6 months and 1 year (inclusive)	996,257	1,090,703
– over 1 year	2,689,971	2,986,724
Total	4,434,748	4,751,613
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.26%	0.28%
– between 6 months and 1 year (inclusive)	0.34%	0.46%
– over 1 year	0.93%	1.26%
Total	1.53%	2.00%