



Guangzhou Rural Commercial Bank Co., Ltd.

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

Stock Code: 1551

2021

ANNUAL REPORT



Contents

Definitions	2
Chairman’s Statement	4
President’s Statement	6
Basic Information	7
Summary of Financial Data	14
Management Discussion and Analysis	17
Changes in Share Capital and Shareholders	60
Directors, Supervisors, Senior Management and Employees	70
Corporate Governance Report	89
Report of the Board of Directors	117
Report of the Board of Supervisors	131
Report on Sannong Financial Services	141
Independent Auditor’s Report	152
Financial Statements and Accompanying Notes	160
Unaudited Supplementary Financial Information	326

DEFINITIONS

Unless the context otherwise requires, the terms used in this report shall have the following meanings.

"AGM"	annual general meeting of the Bank
"Articles of Association" or "Articles"	the articles of association of the Bank, which was passed by the shareholders of the Bank at the general meeting held on 8 June 2021 and was approved by the China Banking and Insurance Regulatory Commission, Guangdong Bureau on 7 January 2022 to take effect upon the non-public issuance of H shares and domestic shares (as amended, supplemented or otherwise revised from time to time)
"Board of Directors"	the board of directors of the Bank
"Board of Supervisors"	the board of supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"Central Bank", "PBOC"	the People's Bank of China or "People's Bank"
"China"	the People's Republic of China
"China Banking Regulatory Authority"	the China Banking and Insurance Regulatory Commission and its agencies
"Corporate Governance Code "	Appendix 14 of the Corporate Governance Code under the Listing Rules
"county bank(s)"	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
"CSRC"	China Securities Regulatory Commission
"Group"	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
"Guangdong Bureau of CBIRC"	Guangdong Bureau of China Banking and Insurance Regulatory Commission
"Guangzhou Rural Commercial Bank", "Bank" or "Company"	Guangzhou Rural Commercial Bank Co., Ltd.
"H Shares"	the foreign shares which are registered in Mainland China and listed in Hong Kong
"HK\$"	the lawful currency of Hong Kong Region
"HKEx"	the Stock Exchange of Hong Kong Limited

DEFINITIONS

"Latest Practicable Date"	18 April 2022
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board ("IASB")
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Non-overseas Listed Shares"	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
"Reporting Period"	for the twelve months from 1 January 2021 to 31 December 2021
"RMB"	the lawful currency of the People's Republic of China
"Sannong"	agriculture, rural areas and farmers
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"USD"	the lawful currency of the United States of America

CHAIRMAN'S STATEMENT

REFORM AND INNOVATE FOR DEVELOPMENT, MAINTAIN SUSTAINABLE GROWTH FOR BEING FIRST CLASS

The pace of development is led by the era, and the footprints of struggle are engraved in the time. Looking back on 2021, all employees of Guangzhou Rural Commercial Bank (GRCB) achieved consensus, pooled strength, explored paths, solved problems, irrigated the harvest with sweat, and moved forward with hard work, leaving solid footprints and creating remarkable results. The assets of the Group reached RMB1,161.6 billion, ranking second among the rural commercial banks in the PRC. The principal operating indicators, such as deposits and loans, operating income, and loans to support farmers and small and micro enterprises, continued to maintain good growth, and its structure of assets and liabilities was significantly improved, achieving a good start to the development of the "14th Five-Year Plan".

Over the past year, we gathered strong strength to forge ahead with the great spirit of Party building.

We upheld the Party's leadership and strengthened Party building, innovated and carried out the study of the "First Topic", and strengthened and perfected the pre-deliberation mechanism of the Party Committee. The leading role of the Party Committee in controlling the direction, managing the overall situation and ensuring implementation in the development of the enterprise has been prudently leveraged. The Bank carried out learning and education of the history of the Party to solemnize the centenary of the founding of the Party, and continued to make efforts to the "four red projects" of "the Red Sail Pilot, the Red Sun Talents, the Red Flag Cohesion and the Red Heart Build Integrity". All Party members and cadres have shown new looks and new actions in learning Party history and doing practical work.

Over the past year, we empowered high-quality development with the vitality of reform and innovation.

We have carefully formulated the "14th Five-Year Plan" development strategy, and comprehensively outlined the blueprint for the development of the next five years. The vision and goal of "being the leader of the rural commercial banks in the PRC in 2023 and the domestic first-class commercial bank in 2025" has inspired all employees of the Bank to strive hard, thus bursting new vitality in the enterprise development. The Bank has been widely recognized by investors, successfully completed the capital replenishment work, raised funds of RMB9.677 billion, and added strong momentum to its stable operation. Reform and innovation were comprehensively carried out, and successful implementation of the four major reform measures including operation and management mode, selection and employment, comprehensive risk management and salary and performance assessment has laid a solid foundation for high-quality development.

Over the past year, we acted swiftly to prevent and defuse risks with great courage.

The Bank actively put into practice the operation and management concept of "stable, efficient, innovative, honest, equal and clean", resolutely reduced remote business, strictly controlled large-amount credit granting, tightened the principal responsibility of the managers of operating agencies, and actively built a professional review and approval team, continuously improving the risk management capability. We fully implemented the full-scale, full-process and full-coverage management of risk assets, stepped up efforts to manage and control key assets, and concentrated on the disposal and resolution of non-performing assets, defusing existing risks in a stable and orderly manner, and effectively controlling newly increased risks.

Over the past year, we accelerated the cultivation of talents with the urgency of seeking talents.

The Bank comprehensively strengthened the construction of the cadre team, among which, 51 middle-level cadres with outstanding performance were promoted, 28 managers-level employees were promoted to middle-level cadres, and 242 ordinary employees were promoted to manager-level business backbones. The Bank launched the elite trainee program and various training projects for professional and marketing talents to introduce, cultivate and utilise talents in an all-round way, and consolidated the talent support for high-quality development. More and more outstanding young employees are galloping ahead and blooming with brilliance on the development stage of GRCB.

CHAIRMAN'S STATEMENT

Glorious achievements have been achieved last year, and next year we will make further progress. In 2022, Guangzhou Rural Commercial Bank will celebrate its 70th anniversary. 70 years ago, the first rural credit cooperative in Guangzhou was established, and the seeds of rural finance sprouted in southern Guangdong. In the past 70 years, although we have experienced stormy waves, we have not changed our original intention. We developed from a weak rural credit cooperative to one of the top two rural commercial banks in the PRC. In the new year, GRCB will firmly adhere to the fundamental principles of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, comprehensively improve asset quality taking the "Asset Quality Year" activity as the main line, make every effort to do well in the four major campaigns of rural finance, industrial finance, consumer finance and wealth finance, continue to consolidate its business foundation, continuously improve its profitability, and continue to struggle and forge ahead with solidarity and enthusiasm to write a new chapter of development.

In 2022, we will make every effort to ensure the realization of the vision and goal of "being a first-class commercial bank in China" under the leadership of comprehensively and strictly governing the Party. The Bank will continue to uphold and strengthen the overall leadership of the Party, resolutely implement the important instructions of General Secretary Xi Jinping, and comprehensively promote the work of Party building to a new level; consolidate and make good use of the achievement of learning and education of the Party's history, and insist on arming our minds, guiding practice, and promoting work with the Party's innovative theoretical achievement; continue to promote the organic unity of the leadership role of the Party committee and the performance of power and duties by other governing subjects in accordance with the law, and ensure that the Party's political and organizational advantages are effectively transformed into competitive and development advantages; and improve and implement the responsibility system for comprehensive and strict governance of the Party, tighten the entity responsibility chain step by step, and promote the deepening, refinement and implementation of the entity responsibility for comprehensive and strict governance of the Party.

In 2022, we will take the "Asset Quality Year" activity as an effective means to comprehensively improve the quality and efficiency of asset business development. The Bank will organise and carry out the "Asset Quality Year" activity, comprehensively strengthen the whole-process management of asset business to realise the improvement of asset quality and the overall improvement of the risk management system, so that operating institutions and marketing personnel can actively identify risks and actively respond to them, forming a robust risk culture throughout the Bank. We will strengthen risk monitoring and early warning, continue to optimise the review and approval team, and build a "firewall" for risk control; strictly prevent and control newly increased risks, deal with existing risks in an orderly manner, and further improve the asset quality of the Bank with the results of the disposal and resolution of risk assets.

In 2022, we will continuously consolidate the foundation for high-quality development focusing on the four major campaigns of "rural finance, industrial finance, consumer finance, and wealth finance". The Bank will resolutely implement the work arrangement of the Municipal Party Committee and the Municipal Government, base itself on the positioning of supporting farmers and small and micro enterprises, optimize and refine rural finance, comprehensively refine the credit extension model for the whole rural areas, and strive to create new highlights of rural finance; make practical and detailed industrial finance, and increase financial support to enterprises in the fields of manufacturing, "technologically advanced" and "little giant" enterprises and other areas encouraged by policies; expand and strengthen consumer finance, seize the window period for acceleration and upgrade of consumption, and continuously expand the scale of retail credit, especially consumer credit; and specialize in wealth finance, reconstruct the wealth product system, and provide more three-dimensional and comprehensive wealth finance services to effectively meet the people's growing demand for a better life.

Challenges continue, and dreams lie ahead. In 2022, Guided by Xi Jinping's thought of socialism with Chinese characteristics in the new era, GRCB will unswervingly follow the road of high-quality development, with rock-solid confidence, momentum and perseverance, to sail towards the vision and goal of "being a first-class commercial bank in China", make great strides towards the glorious future of the "14th Five-Year Plan" development, and welcome the 20th National Congress of the Communist Party with excellent results!

PRESIDENT'S STATEMENT

SURPASS THE UNSEEN WITH FORESIGHT AND BE MORE HEROIC WITH RESPONSIBILITY

Another year of dedication is worthy of the flying time and responsibilities. Standing at a new starting point, it is hard to avoid lamenting many difficulties and unpredictability, but what's more, it is the sense of luck and gratitude filled with heart. It is so lucky to be born in a new era and participate in a new journey, with magnificent rivers and mountains and heroic people. Over the years, we have received the understanding and support of leaders at all levels, customers, shareholders and colleagues, and we will always be grateful.

2021 marks a milestone year in the history of the Party and the country. It is the centennial birthday of the Party with centennial changes of the country and the suffering and glory of the people. Achieving the goal of the first centenary goal, solving the problem of absolute poverty, building a moderately prosperous society in all round, and effectively preventing and controlling COVID-19, all undoubtedly demonstrate the great achievements and historical experiences of the Party in the past hundred years. In a beautiful era, all personal opportunities and achievements seem ordinary and natural, which is not reminiscent. A speck of dust in the times is like a mountain on one's head. Without the era and platform, a man is like a duckweed. Based on the present, we need to cherish, take responsibility and forge ahead.

In 2021, we bravely faced difficulties and forged ahead. We prepared Strategic Plan for the Development (2021-2025) of Guangzhou Rural Commercial Bank Co., Ltd. with high standards, and established the vision of "becoming the first class commercial bank in China". We implemented a number of reform measures such as business operation and organization system, selection and employment, comprehensive risk management, and salary performance distribution. We comprehensively improved the comprehensive customer management ability, professional risk control ability, efficient organization and management ability, agile scientific and technological innovation ability and other core abilities. We organized and carried out key projects of companies and retail lines, and sought new breakthroughs in rural finance, industrial finance, consumer finance, wealth finance and other fields. The total business volume of the Bank grew well, the structure improved, and continued to maintain a good development trend of steady progress. At the end of the year, the Group's total assets were RMB1,161.6 billion, various deposits were RMB849.8 billion, and loans were RMB657.7 billion. The ranking among domestic banking industry further improved. The Bank continued to be among the top 500 Chinese enterprises and won the "China Financial Innovation Award", "Annual Wealth Management Award", "Annual Regional Influential Bank" and other awards. Every fighter and devotee of Guangzhou Rural Commercial Bank has jointly resisted the past changes, jointly achieved the difficult progress, jointly contributed to the new journey of the new era, and jointly practiced the spirit of the new era of self-confidence, self-improvement, integrity and innovation. Personal commonness blooms brilliance because of efforts, the passing time is enriched because of responsibility, and the journey is more unforgettable because of the suffering of wind and rain!

Through changes and difficulties, we have better understood the importance of compliance, soundness and sustainability. In the face of scale and speed, we will be more rational. In terms of quality, structure, compliance and safety, we will pursue them more persistently. We will explore more deeply in cultivating corporate culture, selecting and employing personnel and performance management. We will be more firm and effective in strengthening risk management, consolidating business responsibilities and improving asset quality. We will be more solid in implementing the customer-centered business philosophy, serving the real economy and benefiting people's livelihood. We will cherish capital and resources more, pay more attention to talents and science and technology, better implement the new development concept, and more firmly follow the road of sustainable and high-quality development.

There is no doubt that for the severe and complex situation and risks and challenges in the future, we must maintain a clear understanding, and make unremitting efforts with full preparations and enough skills. In fact, in this complicated and unpredictable world, has it ever been simple, calm and easy? But in the time tunnel, under the wheel of history, there will never be an insurmountable barrier. The fog will always disperse, the epidemic will always be controlled, the risks will always be resolved, and there will always be ways to overcome the visible or invisible difficulties. Phoenix is reborn from nirvana. Behind all the peaceful and quiet times, someone is moving forward with heavy load.

Not indulging in the past, and not being afraid of the future. Good times will always leave all kinds of good things, and a new year will come after this year. Surpass the unseen with foresight and be more heroic with responsibility. Let's work hard in spring and look forward to the harvest in autumn.

I. COMPANY PROFILE

(I) Official Name

1. Official Chinese Name: 廣州農村商業銀行股份有限公司
(Abbreviated as : “廣州農村商業銀行”)
2. Official English Name: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Registered Capital: RMB11,451,268,539.00

(III) Legal representative: Mr. Cai Jian

(IV) Authorized Representatives: Mr. Yi Xuefei and Mr. Ngai Wai Fung

(V) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

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

(VII) Stock Name and Code: GRCB (1551.HK)

(VIII) Offshore Preference Share Name and Code: GRCB 19USDPRF(4618.HK)

(IX) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

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

(XI) Scope of Business: Monetary and financial services

(XII) Place of Inspection of the Report: Office of the Board of Directors of the Bank

(XIII) Auditor: PricewaterhouseCoopers

(XIV) Legal Advisor as to Mainland PRC Law: Dentons Law Offices, LLP (Guangzhou)

(XV) Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

(XVI) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVII) Non-overseas Listed Shares Depository: China Securities Depository and Clearing Corporation Limited

(XVIII) Other Relevant Information of the Company

Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, PRC

Postal Code: 510623

website of the Bank: www.grcbank.com

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Telephone No.: (8620)28019324

Email Address: ir@grcbank.com

BASIC INFORMATION

II. BRANCHES AND SUBSIDIARIES

(I) Branches

The following table sets forth the basic information of the branches of the Bank:

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Huangshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999606	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	1/F and 2/F, No. 173 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huadu Sub-branch	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911004	NA	-
6	Huanan Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
7	Huangpu Sub-branch	No. 138 Fengle North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
8	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
9	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
10	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
11	Yuexiu Sub-branch	1/F, No. 60 Meidong Road, Yuexiu District, Guangzhou	510030	020-87619149	NA	-

BASIC INFORMATION

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
12	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32160027	NA	-
13	Free Trade Zone Nansha Branch	No. 56 Xinxing Road, Wanqingsha Town, Nansha District, Guangzhou	511462	020-34929298	NA	Branch
14	Foshan Branch	Rooms 103 and 104 on 1/F and Room 202 on 2/F of Tower 1, Rooms 1603 to 1605 on 16/F and Rooms 1701 to 1708 on 17/F of Block 2, Tower 1, No. 26 Jihua First Road, Chancheng District, Foshan	528000	0757-82581028	0757-82581059	Branch outside
15	Qingyuan Branch	Shops on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan, Guangdong Province	511500	0763-3910555	NA	Branch outside
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Duanzhou District, Zhaoqing, Guangdong Province	526040	0758-2812835	0758-2812835	Branch outside
17	Heyuan Branch	Rooms 1601-1602 and Rooms 101-102 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong Province	517000	0762-2238111	NA	Branch outside
18	Guangdong Pilot Free Trade Zone Hengqin Branch	B6 to B10 Penguin Hotel Commercial Street, Chimelong International Ocean Tourist Resort, Fuxiang Bay, Hengqin New District, Zhuhai, Guangdong Province	519031	0756-2993600	NA	Branch outside

BASIC INFORMATION

(II) Subsidiaries

The following table sets forth the basic information of the subsidiaries of the Bank:

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
1	Huixian Zhujiang County Bank Co., Ltd.	East Section of Gongcheng Avenue, Huixian	453600	0373-6223019	NA
2	Anyang Zhujiang County Bank Co., Ltd.	Northwest Corner of the intersection of Xingtai Road and Jian'an Street, Anyang City	455000	0372-2223000	0372-2223209
3	Xinyang Zhujiang County Bank Co., Ltd.	Intersection of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang, Henan Province	464000	0376-6199236	NA
4	Zhengzhou Zhujiang County Bank Co., Ltd.	No. 101-1, 1/F, No. 501-2, 5/F, No. 501-3, 5/F, Expo Building, No.8 Business Outer Ring Road, Zhengzhou Area (Zhengdong), Free Trade Zone, Henan	450000	0371-89959090	NA
5	Xinjin Zhujiang County Bank Co., Ltd.	No. 4-4, 1/F of No. 5 and New No. 6 Wujin West Road, Xinjin County, Chengdu, Sichuan Province	611430	028-82580021	NA
6	Guanghan Zhujiang County Bank Co., Ltd.	No. 188 Section 1 of Zhongshan Avenue South, Guanghan, Sichuan Province	618300	0838-5513187	0838-5513152
7	Pengshan Zhujiang County Bank Co., Ltd.	No. 223 Caishan East Road, Pengshan District, Meishan, Sichuan Province	620860	028-37666086	NA
8	Shenzhen Pingshan Zhujiang County Bank Co., Ltd.	32/F and 33/F of Building H and Shops 165-166, 1st Phase of Liuhe Commercial Plaza, Pingshan Subdistrict, Pingshan District, Shenzhen City	518118	0755-36669888	0755-32833903
9	Zhongshan Dongfeng Zhujiang County Bank Co., Ltd.	No.132 Fengxiang Avenue, Dongfeng Town, Zhongshan City	528425	0760-22787010	NA

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
10	Xingning Zhujiang County Bank Co., Ltd.	Shopping Mall of Building 9 of Shengjing Times on the west side of Xingnan Avenue and north side of Xigou, Xingning City	514500	0753-8682651	0753-8682655
11	Dongguan Huangjiang Zhujiang County Bank Co., Ltd.	No. 1 Yuanwuwei Road, Yuanwuwei Village, Huangjiang Town, Dongguan City	523756	0769-82183813	NA
12	Heshan Zhujiang County Bank Co., Ltd.	Room 201 of No. 195, 187 and 185, and No. 189-193 (odd numbers only), Zhongshan Road, Shaping Town, Heshan, Guangdong Province	529700	0750-8818081	0750-8818081
13	Sanshui Zhujiang County Bank Co., Ltd.	Shops 103, 104 and 105 of 1/F and 2/F and 3/F, No. 9 Nanfeng Avenue, Yundonghai Subdistrict, Sanshui District, Foshan City	528100	0757-87791698	NA
14	Qingdao Chengyang Zhujiang County Bank Co., Ltd.	No. 196 Zhengyang Middle Road, Chengyang District, Qingdao, Shandong Province (YinShengTai International Business Port)	266109	0532-67762806	NA
15	Haiyang Zhujiang County Bank Co., Ltd.	No. 181 Haiyang Road, Haiyang, Shandong Province	265100	0535-3107730	NA
16	Laiwu Zhujiang County Bank Co., Ltd.	Yanjie Building, No. 19 Daihuayuan, Longtan East Street, Laicheng District, Laiwu, Jinan City	271100	0531-75662720	0531-75662720
17	Laizhou Zhujiang County Bank Co., Ltd.	No. 672 Wenhua East Street, Laizhou, Shandong Province	261400	0535-2750000	NA
18	Yantai Fushan Zhujiang County Bank Co., Ltd.	No. 133-216 Fuhai Road, Fushan District, Yantai, Shandong Province	265500	0535-6319002	NA
19	Beijing Mentougou Zhujiang County Bank Co., Ltd.	No. 8 Shilong South Road, Yongding Town, Mentougou District, Beijing	102300	010-60865137	010-60865158

BASIC INFORMATION

No.	Company name	Registered address	Postal code	Telephone number	Facsimile number
20	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Zone 3 on 1/F and Zone 2 on 8/F, Block E, International Trade Center, No. 205 Huanghaixi Fourth Road, Dalian Bonded Area, Liaoning Province	116600	0411-66771959	0411-66771960
21	Suzhou Wuzhong Zhujiang County Bank Co., Ltd.	No. 51 Jinshan Road, Mudu Town, Wuzhong District, Suzhou, Jiangsu Province	215101	0512-80969696	NA
22	Jiangsu Xuyi Zhujiang County Bank Co., Ltd.	5-1001, Wuzhou International Plaza Phase II, Donghu South Road, Xuyi County, Huai' an	211700	0517-88331111	NA
23	Jiangsu Qidong Zhujiang County Bank Co., Ltd.	No. 605, 609 and 613 Jianghai Middle Road, Huilong Town, Qidong	226200	0513-83904316	NA
24	Changning Zhujiang County Bank Co., Ltd.	No. 101 and 102 Qunying West Road, Changning, Hunan Province	421500	0734-7330833	0734-7330833
25	Jizhou Zhujiang County Bank Co., Ltd.	No. 33 Yangming West Road, Jizhou District, Ji'an, Jiangxi Province	343000	0796-2066666	NA
26	Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd.	No. 006 Xiangyang North Road, Lukou Town, Zhuzhou County, Hunan Province	412100	0731-27618647	0731-27618603
27	Chaozhou Rural Commercial Bank Co., Ltd.	No. 130 Fengchun Road, Chaozhou City	521000	0768-2292072	0768-2301661
28	Guangdong Nanxiong Rural Commercial Bank Co., Ltd.	No. 147 Xiongnan Road, Nanxiong City	512400	0751-3822857	0751-3822857
29	Shaoguan Rural Commercial Bank Co., Ltd.	Shop 35, No. 41 Xinhua South Road, Wujiang District, Shaoguan City, Guangdong Province	512000	0751-8760282	0751-8639226
30	Zhujiang Financial Leasing Co., Ltd.	Room J28, Unit 1101 11/F, Financial Building, No. 171 Haibin Road, Nansha District, Guangzhou City	510620	020-29168100	020-29168101

III. MAJOR HONORS RECEIVED IN 2021

No.	Honors/Awards	Awarding/granting authority	Obtaining time
1	Ranked 159th in 2021 Global Bank Brand Value Top 500	Brand Finance and The Banker (英國《銀行家》雜誌)	February 2021
2	Ranked 921st in 2021 Global Enterprises Top 2000	Forbes	May 2021
3	Ranked 30th in 2021 China Banking Industry Top 100	China Banking Association	July 2021
4	Ranked 476th in Top 500 Enterprises in China in 2021	China Enterprise Confederation, China Enterprise Directors Association	September 2021
5	Ranked 448th in Fortune China Top 500 in 2021	Fortune (Chinese version)	September 2021
6	Ranked 171st in 2021 China Top 500 Service Enterprises	China Enterprise Confederation, China Enterprise Directors Association	September 2021
7	2021 China Financial Innovation Awards "Top 10 Corporate Finance Innovation Awards" "Top 10 Retail Banking Innovation Awards"	The Chinese Banker (中國《銀行家》雜誌)	September 2021
8	2021 "Golden Bell Awards" Retail Bank with Excellent Competitiveness	21st Century Business Herald	September 2021
9	2021 China Golden Tripod Award "Wealth Management Award of the Year"	National Business Daily (《每日經濟新聞》)	October 2021
10	2021 Gamma Awards "Regional Influential Bank of the Year" "Golden Wealth Management Brand"	Securities Times (《證券時報》)	October 2021
11	Inclusive Financial Bank with Excellent Competitiveness in 2021	China Business Journal (《中國經營報》)	November 2021
12	2021 Best Inclusive Financial Award of the Year	New Express (《新快報》)	November 2021
13	2020-2021 Guangdong Most Popular Financial Services Village Revival Product Gold Award	Guangdong Financial Support Agriculture Alliance (廣東金融支農聯盟)	December 2021
14	Leading Regional Service Bank in 2021	hexun.com	December 2021
15	2021 "Nanfang Zhijing • Brand Enterprise of the Year"	Nanfang Media Group	December 2021
16	2021 Golden Lion Award "Most Influential Credit Card"	Information Times (《信息時報》)	December 2021
17	2021 China Annual Digital Innovation Application Award of the Year	CLS (財聯社)	December 2021
18	2021 Guangzhou Daily Golden Financial Service Brand "Outstanding Financial Institution in Supporting Real Economy Development"	Guangzhou Daily (《廣州日報》)	December 2021

SUMMARY OF FINANCIAL DATA

The financial information of the Group set forth in this report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
			Rate of Change (%)			
Operating results						
Net interest income ⁽¹⁾	19,559.16	17,647.48	10.83	18,883.22	13,553.02	11,923.19
Net fee and commission income ⁽¹⁾	1,319.07	1,326.96	(0.59)	1,362.57	1,266.15	2,062.73
Operating income	23,480.53	21,218.41	10.66	23,657.28	20,666.67	13,478.66
Operating expenses	(6,420.27)	(7,037.46)	(8.77)	(6,675.70)	(5,984.34)	(5,164.19)
Impairment losses ⁽²⁾	(12,602.97)	(7,893.38)	59.67	(7,086.46)	(5,968.94)	(787.85)
Profit before income tax	4,457.29	6,287.57	(29.11)	9,895.12	8,713.39	7,526.62
Net profit	3,776.29	5,276.62	(28.43)	7,910.71	6,832.16	5,890.99
Net profit attributable to shareholders of the Bank	3,175.21	5,081.30	(37.51)	7,520.35	6,526.34	5,708.72
Per share (in RMB)			Change			
Net assets per share attributable to shareholders of the Bank ⁽³⁾	6.13	6.08	0.05	5.97	5.39	4.69
Basic earnings per share ⁽⁴⁾	0.26	0.45	(0.19)	0.77	0.67	0.63

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Scale indicators			Change			
Total assets	1,161,628.63	1,027,871.65	133,756.98	894,154.29	763,289.60	735,713.66
Among which: loans and advances to customers, net	637,553.81	553,168.34	84,385.47	463,051.37	364,967.97	285,701.70
Total liabilities	1,074,743.36	951,986.34	122,757.02	820,444.98	707,708.53	687,235.94
Among which: customer deposits	849,766.80	778,424.85	71,341.95	658,243.09	542,335.16	488,671.86
Equity attributable to shareholders of the Bank	80,027.31	69,487.08	10,540.23	68,346.69	52,861.33	46,044.52
Non-controlling interests	6,857.96	6,398.23	459.73	5,362.62	2,719.74	2,433.20
Total equity	86,885.27	75,885.31	10,999.96	73,709.31	55,581.07	48,477.72

SUMMARY OF FINANCIAL DATA

Item (Expressed in percentage)	For the year ended 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Profitability indicators			Change			
Return on average total assets ⁽⁵⁾	0.34	0.55	(0.21)	0.95	0.91	0.84
Return on average equity ⁽⁶⁾	4.43	7.10	(2.67)	13.24	13.13	13.65
Net interest spread ⁽⁷⁾	2.01	1.98	0.03	2.71	2.32	1.68
Net interest margin ⁽⁸⁾	2.00	2.01	(0.01)	2.65	2.17	1.73
Net fee and commission income to operating income ⁽⁹⁾	5.62	6.25	(0.63)	5.76	6.13	15.30
Cost-to-income ratio ⁽¹⁰⁾	26.08	31.95	(5.87)	27.25	28.05	37.11

Item (Expressed in percentage)	As at 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Assets quality indicators			Change			
Non-performing loan ratio ⁽¹¹⁾	1.83	1.81	0.02	1.73	1.27	1.51
Provision coverage ratio ⁽¹²⁾	167.04	154.85	12.19	208.09	276.64	186.75
Allowance to total loans ⁽¹³⁾	3.06	2.81	0.25	3.61	3.52	2.83
Capital adequacy indicators			Change			
Core Tier 1 capital adequacy ratio ⁽¹⁴⁾	9.68	9.20	0.48	9.96	10.50	10.69
Tier 1 capital adequacy ratio	11.06	10.74	0.32	11.65	10.53	10.72
Capital adequacy ratio	13.09	12.56	0.53	14.23	14.28	12.00
Ratio of total equity to total assets	7.48	7.38	0.10	8.24	7.28	6.59

Item (Expressed in percentage)	As at 31 December					
	2021	2020	Comparison between 2021 and 2020	2019	2018	2017
Other indicators			Change			
Loan-to-deposit ratio ⁽¹⁵⁾	77.39	73.09	4.30	72.92	69.70	60.17

SUMMARY OF FINANCIAL DATA

Notes :

- (1) Since 2020, the Group reclassified the installment income of credit card from fee income to interest income, and restated the data from 2017 to 2019, hence the indicators of net interest margin, net interest yield and the ratio of fee and commission income against the operating income were restated simultaneously.
- (2) In accordance with the new accounting standards on financial instruments and the disclosure requirements related to the financial statements, impairment losses in 2018 to 2021 included credit impairment losses and impairment losses on other assets in the consolidated statement of profit or loss, while impairment losses from 2017 were impairment losses on assets.
- (3) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (4) The preference shares dividends, which was paid in the first half of 2021, has been deducted for this indicator.
- (5) Representing the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the period.
- (6) Calculated by dividing the net profit for the period (excluding the preference shares dividends declared in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (7) Calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (8) Calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (9) Calculated by dividing net fee and commission income by operating income.
- (10) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (11) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (12) Calculated by dividing the balance of allowance for loan losses (including discount) by the balance of non-performing loans.
- (13) Calculated by dividing the balance of allowance for loan losses (including discount) by the total loans and advances to customers.
- (14) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)".
Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%
Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%
Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%
- (15) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

REGULATORY ENVIRONMENT AND ECONOMIC OUTLOOK

In 2021, a year intertwined with COVID-19 pandemics and changes in a century, China's economy withstood the test of severe and complex environment abroad and frequent outbreak of domestic pandemic, maintaining its leading position among major global economies in respect of economic development and pandemic prevention and control, and achieving a good start of the "14th Five-Year Plan". The annual GDP amounted to approximately RMB114 trillion, and the annual economic growth rate achieved 8.1%, showing good development resilience. From the perspective of three major demand structures: in terms of investment, infrastructure investment remained low, real estate investment declined rapidly, and manufacturing investment stabilized; in terms of consumption, the normalization of prevention and control led to sluggish service consumption, and the overall recovery of domestic demand was relatively slow; exports continued to exceed expectations, maintaining a high boom throughout the year, and exports of electrical and mechanical products were strong, which effectively boosted China's economic recovery.

In order to fully respond to the impact of various environmental and policy factors and optimize the economic growth structure, China has stepped up counter-cyclical and cross-cyclical regulation and control with proactive fiscal policy being relatively backward, strengthened the management and control of hidden debt risks, and kept steady monetary policy relatively loose, and deeply adopted the structural tools. Financial supervision has become increasingly stringent, with real estate regulation heating up and the positioning of "house for residence instead of vicious speculation" being adhered to. The local financial regulatory framework has been optimized, the capacity of the whole chain of supervision has been enhanced, the scope of supervision has become more comprehensive, the anti-monopoly force has been strengthened, and the fight against illegal financial activities has been further intensified. The supervision of internal control and compliance of financial institutions in the banking industry was kept under high pressure, and irregularities in credit and financial management were seriously investigated and dealt with.

In 2022, the risk of the pandemic is expected to decline with the promotion of vaccine boosters and therapeutic drugs, although the COVID-19 pandemic is still spreading around the world. As the overseas production environment gradually recovers, the growth rate of China's exports will gently decline, and manufacturing investment will also face downward pressure, while consumption will still maintain a steady recovery and infrastructure investment will be the main driving force of "stable growth". Under the basic tone of seeking progress in stability, China's economic growth is expected to reach approximately 5.5% in 2022, with a low growth rhythm followed by a high one. In overall, China's economy is still facing three kinds of pressure: demand contraction, supply impact and weakening expectations. There is a lack of endogenous driving force for economic growth, and it is urgent for policies to effectively expand domestic demand and promote the optimization of investment structure.

In 2022, the world economy is in the process of recovery, while the geopolitical competition between major countries continues to be severe, and the international situation has become more volatile, which will bring new opportunities and challenges to China's high-quality economic development. China will unswervingly build a new development pattern, continue to promote the implementation of the "double cycle" development strategy, actively participate in international trade governance from the perspective of globalization, consolidate and enhance China's role in the global supply chain and value chain, deepen multilateral and bilateral economic and trade cooperation, internally strive to ensure food and energy security and financial stability, promote scientific and technological development and industrial upgrade, and increase policy incentives to create a better business environment, fully stimulate the vitality of market players and realize continuous expansion of domestic demand. As the mainstay of China's financial system, the banking industry should better serve the real economy and strengthen support for key areas and weak links, in particular, the banking industry will play a more active role in the fields of major projects planned in the 14th Five-Year Plan, digital infrastructure construction, financing of small and micro enterprises, key technology enterprises and "specialized and new" enterprise services, green financial products, stable energy production and supply, rural revitalization and so on. The financial regulatory policy will further strengthen the constraints and guidance on commercial banks and other financial institutions, handle stock risks steadily, and firmly hold the bottom line of no systemic financial risks. Commercial banks will pay more attention to asset quality and liability cost control, effectively promote capital replenishment, consolidate the foundation of sound operation, and constantly deepen reform to achieve risk resolution and differentiated sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Interest income	42,565.95	37,150.00	5,415.95	14.58
Interest expense	(23,006.79)	(19,502.52)	(3,504.27)	17.97
Net interest income	19,559.16	17,647.48	1,911.68	10.83
Fee and commission income	1,639.91	1,628.04	11.87	0.73
Fee and commission expense	(320.84)	(301.08)	(19.76)	6.56
Net fee and commission income	1,319.07	1,326.96	(7.89)	(0.59)
Net trading gains	2,042.79	1,976.68	66.11	3.34
Net gains or losses on financial investments	343.93	361.34	(17.41)	(4.82)
Other operating income, net	215.58	(94.05)	309.63	(329.22)
Operating income	23,480.53	21,218.41	2,262.12	10.66
Operating expenses	(6,420.27)	(7,037.46)	617.19	(8.77)
Credit impairment losses	(12,540.17)	(7,851.76)	(4,688.41)	59.71
Impairment losses on other assets	(62.80)	(41.62)	(21.18)	50.89
Profit before income tax	4,457.29	6,287.57	(1,830.28)	(29.11)
Income tax expense	(681.00)	(1,010.95)	(329.95)	(32.64)
Net profit	3,776.29	5,276.62	(1,500.33)	(28.43)

In 2021, the Group recorded a profit before income tax of RMB4,457 million, representing a year-on-year decrease of 29.11%, and a net profit of RMB3,776 million, representing a year-on-year decrease of 28.43%. Profit before income tax and net profit decreased year on year, mainly due to more provision were made by the Group for impairment losses on assets to enhance its ability to resist risks under the complex external environment and the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Net Interest Income

In 2021, the net interest income of the Group amounted to RMB19,559 million, representing a year-on-year increase of RMB1,912 million, or 10.83%, and accounting for 83.30% of our total operating income. It was mainly due to the year-on-year increase of interest income, resulting from the adjustment in the structure of interest-earning assets and the increase in the proportion of loans.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Interest income	42,565.95	37,150.00	5,415.95	14.58
Interest expense	(23,006.79)	(19,502.52)	(3,504.27)	17.97
Net interest income	19,559.16	17,647.48	1,911.68	10.83

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income/ expense	Average yield/cost rate (%)	Average balance	Interest income/ expense	Average yield/cost rate (%)
Loans and advances to customers	612,481.73	32,481.75	5.30	524,154.02	27,856.03	5.31
Financial investments	191,393.69	6,729.58	3.52	172,447.89	6,001.53	3.48
Placements and deposits with banks and other financial institutions	50,697.27	1,332.67	2.63	54,550.37	1,319.91	2.42
Financial assets held under resale agreements	40,055.83	919.82	2.30	41,220.62	886.22	2.15
Due from central bank	81,360.20	1,102.13	1.35	85,029.71	1,086.31	1.28
Total interest-earning assets	975,988.72	42,565.95	4.36	877,402.61	37,150.00	4.23
Customer deposits	793,286.32	17,760.62	2.24	704,403.53	14,981.54	2.13
Placements and deposits from banks and other financial institutions and others	62,303.76	1,731.17	2.78	53,683.20	1,399.18	2.61
Financial assets sold under repurchase agreements	16,212.28	343.08	2.12	7,801.43	128.50	1.65
Debt securities issued	87,441.46	2,746.37	3.14	86,995.32	2,623.90	3.02
Borrowing from central bank	19,195.37	425.55	2.22	13,579.60	369.40	2.72
Total interest-bearing liabilities	978,439.19	23,006.79	2.35	866,463.08	19,502.52	2.25
Net interest income		19,559.16			17,647.48	
Net interest spread			2.01			1.98
Net interest margin			2.00			2.01

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, compared with the corresponding period of last year, the overall average yield of interest earning assets increased by 13 basis points to 4.36%, the overall average cost rate of interest-bearing liabilities increased by 10 basis points to 2.35%, net interest spread increased by 3 basis points to 2.01%, and net interest margin decreased by 1 basis point to 2.00%.

The following table sets forth changes in the Group's interest income and interest expense as compared to the corresponding period of last year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		Net increase/decrease
	Volume factor	Rate factor	
Assets			
Loans and advances to customers	4,694.15	(68.43)	4,625.72
Financial investments	659.35	68.70	728.05
Placements and deposits with banks and other financial institutions	(93.23)	105.99	12.76
Financial assets held under resale agreements	(25.04)	58.64	33.60
Deposits with central bank	(46.88)	62.70	15.82
Changes in interest income	5,188.35	227.60	5,415.95
Liabilities			
Due to customers	1,890.40	888.68	2,779.08
Placements, deposits and others from banks and other financial institutions	224.68	107.31	331.99
Financial assets sold under repurchase agreements	138.54	76.04	214.58
Debt securities issued	13.46	109.01	122.47
Borrowing from central bank	152.76	(96.61)	56.15
Changes in interest expense	2,419.84	1,084.43	3,504.27

MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

In 2021, interest income of the Group amounted to RMB42,566 million, representing an increase of RMB5,416 million or 14.58% as compared to the corresponding period of last year.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	388,501.81	20,770.47	5.35	338,651.55	18,880.33	5.58
Personal loans	147,331.89	9,580.17	6.50	132,713.58	7,659.13	5.77
Discounted bills	76,648.03	2,131.11	2.78	52,788.89	1,316.57	2.49
Total loans and advances to customers	612,481.73	32,481.75	5.30	524,154.02	27,856.03	5.31

Interest income from loans and advances to customers amounted to RMB32,482 million, representing a year-on-year increase of RMB4,626 million, or 16.61%, and the average yield decreased by 1 basis point to 5.30% as compared with last year.

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits with banks and other financial institutions	50,697.27	1,332.67	2.63	54,550.37	1,319.91	2.42
Financial assets held under resale agreements	40,055.83	919.82	2.30	41,220.62	886.22	2.15
Total amounts due from banks and other financial institutions	90,753.10	2,252.49	2.48	95,770.99	2,206.13	2.30

In 2021, the interest of amounts due from banks and other financial institutions of the Group amounted to RMB2,252 million, representing a year-on-year increase of RMB46 million, or 2.10%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expense

In 2021, the Group's interest expense increased by RMB3,504 million, or 17.97%, to RMB23,007 million as compared to the corresponding period of last year.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Demand	161,968.52	863.15	0.53	129,039.04	626.36	0.49
Time	194,329.68	6,810.56	3.50	195,934.10	6,448.41	3.29
Subtotal	356,298.20	7,673.71	2.15	324,973.14	7,074.77	2.18
Personal deposits						
Demand	123,256.78	389.25	0.32	114,291.67	349.79	0.31
Time	293,084.59	9,305.47	3.18	237,926.61	6,994.17	2.94
Subtotal	416,341.37	9,694.72	2.33	352,218.28	7,343.96	2.09
Other deposits	20,646.75	392.19	1.90	27,212.11	562.81	2.07
Total amounts due to customers	793,286.32	17,760.62	2.24	704,403.53	14,981.54	2.13

In 2021, the Group's interest expense on amounts due to customers amounted to RMB17,761 million, representing a year-on-year increase of RMB2,779 million, or 18.55%, and the cost rate of deposits was 2.24%, representing an increase of 11 basis points year-on-year. It was mainly due to the rapid increase in the interest rate of time deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the twelve months ended 31 December 2021			For the twelve months ended 31 December 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Placements and deposits from banks and other financial institutions and others	62,303.76	1,731.17	2.78	53,683.20	1,399.18	2.61
Financial assets sold under repurchase agreements	16,212.28	343.08	2.12	7,801.43	128.50	1.65
Total amounts due to banks and other financial institutions	78,516.04	2,074.25	2.64	61,484.63	1,527.68	2.48

In 2021, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB2,074 million, representing a year-on-year increase of RMB547 million, or 35.78%, which was primarily due to the increase in the daily average scale of deposits from banks and financial assets sold resulting from the adjustment of interest-bearing liabilities by the Bank, as well as the increase of interest rate of interbank liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Non-interest Income

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Fee income from agency and custodian business	347.51	440.66	(93.15)	(21.14)
Syndicated loan service fees	292.39	142.42	149.97	105.30
Fee income from bank card business	232.32	250.34	(18.02)	(7.20)
Guarantee and commitment fee income	191.62	182.62	9.00	4.93
Fee income from settlement and electronic channel business	182.00	170.07	11.93	7.01
Fee income from wealth management products	124.29	122.85	1.44	1.17
Financial leasing fee income	77.77	63.37	14.40	22.72
Fee income from advisory and consulting business	44.56	61.63	(17.07)	(27.70)
Fee income from foreign exchange business	16.84	38.52	(21.68)	(56.28)
Others	130.61	155.56	(24.95)	(16.04)
Subtotal	1,639.91	1,628.04	11.87	0.73
Fee and commission expense:				
Fee expense on bank card business	(71.80)	(75.84)	4.04	(5.33)
Fee expense on settlement and electronic channel business	(23.97)	(23.13)	(0.84)	3.63
Others	(225.07)	(202.11)	(22.96)	11.36
Subtotal	(320.84)	(301.08)	(19.76)	6.56
Net fee and commission income	1,319.07	1,326.96	(7.89)	(0.59)

In 2021, the net fee and commission income of the Group amounted to RMB1,319 million, representing a year-on-year decrease of RMB8 million, or 0.59%, and accounting for 5.62% of our total operating income. It mainly consists of fee income from agency and custodian business, syndicated loan business and bank card business.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Net trading gains

In 2021, the net trading gains of the Group amounted to RMB2,043 million, which were mainly interest income from financial assets at fair value through profit or loss, bid-ask spread and fair value gains and losses.

3. Net gains or losses on financial investments

In 2021, the net gains on financial investments of the Group amounted to RMB344 million, which were mainly the bid-ask spread from financial assets at fair value through other comprehensive income.

4. Other operating income, net

In 2021, the net other operating income of the Group amounted to RMB216 million, which was mainly due to the PBOC interest rate swap incentives and exchange losses.

(III) Operating Expenses

In 2021, the operating expenses of the Group decreased by RMB617 million, or 8.77%, to RMB6,420 million as compared to the corresponding period of last year.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Staff costs	3,942.37	4,432.54	(490.17)	(11.06)
Tax and surcharges	296.88	258.70	38.18	14.76
Depreciation and amortization	877.51	876.71	0.80	0.09
Others	1,303.51	1,469.51	(166.00)	(11.30)
Total operating expenses	6,420.27	7,037.46	(617.19)	(8.77)

MANAGEMENT DISCUSSION AND ANALYSIS

1. Staff costs

Staff costs represent the largest component of operating expenses of the Group, accounting for 61.41% and 62.98% of our operating expenses for the years ended 31 December 2021 and 2020, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Salaries, bonuses, allowances and subsidies	2,482.59	3,319.57	(836.98)	(25.21)
Social insurance and employee benefits	1,279.28	901.53	377.75	41.90
Others	180.50	211.44	(30.94)	(14.63)
Total staff costs	3,942.37	4,432.54	(490.17)	(11.06)

In 2021, staff costs of the Group amounted to RMB3,942 million, representing a year-on-year decrease of RMB490 million, or 11.06%, which was primarily attributable to the decrease in wages, bonuses, allowances and subsidies.

2. Tax and surcharges

In 2021, tax and surcharges incurred amounted to RMB297 million, representing a year-on-year increase of RMB38 million, or 14.76%.

3. Depreciation and amortization

In 2021, depreciation and amortization of the Group was RMB878 million, representing a year-on-year increase of RMB1 million, or 0.09%.

4. Others

In 2021, other expenses amounted to RMB1,304 million, representing a year-on-year decrease of RMB166 million, or 11.30%.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Impairment Losses on Assets

The following table sets forth the principal components of impairment losses on assets of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December 2021	For the year ended 31 December 2020	Change in amount	Rate of change (%)
Credit impairment losses	12,540.17	7,851.76	4,688.41	59.71
Impairment losses on other assets	62.80	41.62	21.18	50.89
Total	12,602.97	7,893.38	4,709.59	59.67

In 2021, the provisions for impairment losses on assets of the Group amounted to RMB12,603 million. Among them, provision for credit impairment losses amounted to RMB12,540 million.

(V) Income Tax Expense

In 2021, income tax expense amounted to RMB681 million, representing a year-on-year decrease of RMB330 million, mainly due to the decrease of profit before tax. The effective income tax rate was 15.28%.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	657,662.93	56.61	568,926.17	55.35
Allowances for impairment losses	(20,109.12)	(1.73)	(15,757.83)	(1.53)
Loans and advances to customers, net	637,553.81	54.88	553,168.34	53.82
Financial investments ⁽¹⁾	314,238.52	27.05	262,524.19	25.54
Cash and deposits with the central bank	86,264.99	7.43	103,784.55	10.10
Deposits with banks and other financial institutions	20,275.41	1.75	25,012.86	2.43
Placements with banks and other financial institutions	33,951.90	2.92	21,711.16	2.11
Financial assets held under resale agreements	53,049.06	4.57	46,447.69	4.52
Others ⁽²⁾	16,294.94	1.40	15,222.86	1.48
Total assets	1,161,628.63	100.00	1,027,871.65	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets and others.

As at 31 December 2021, the Group's total assets amounted to RMB1,161,629 million, representing an increase of RMB133,757 million, or 13.01%, as compared to the end of last year. Among which, the total loans and advances to customers increased by RMB88,737 million, or 15.60%, as compared to the end of last year. This was primarily due to the steady increase in the scale of loans, resulting from the Group's strengthening support to real economy.

Financial investments increased by RMB51,714 million, or 19.70%, as compared to the end of last year, primarily due to the increase in the holding of debt securities.

MANAGEMENT DISCUSSION AND ANALYSIS

Placements with banks and other financial institutions increased by RMB12,241 million or 56.38% compared with the end of last year, mainly due to the increase in placements with banks and other financial institutions based on market conditions and the arrangement of assets and liabilities within the Group.

1. Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	407,026.69	61.89	379,857.50	66.77
Personal loans	158,429.47	24.09	140,331.80	24.67
Discounted bills	92,206.77	14.02	48,736.87	8.56
Total loans and advances to customers	657,662.93	100.00	568,926.17	100.00

As at 31 December 2021, total loans and advances to customers of the Group increased by RMB88,737 million, or 15.60%, to RMB657,663 million as compared to the end of last year.

As compared to the end of last year, the Group's total corporate loans increased by RMB27,169 million, or 7.15%, to RMB407,027 million; total personal loans increased by RMB18,098 million, or 12.90%, to RMB158,429 million; and total discounted bills increased by RMB43,470 million, or 89.19%, to RMB92,207 million.

MANAGEMENT DISCUSSION AND ANALYSIS

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total Corporate loans	407,026.69	61.89	379,857.50	66.77
Working capital loans	159,082.04	24.19	158,707.18	27.90
Fixed asset loans	223,868.81	34.04	199,792.96	35.11
Finance lease receivables	18,748.05	2.85	15,348.38	2.70
Others	5,327.79	0.81	6,008.98	1.06
Total Personal loans	158,429.47	24.09	140,331.80	24.67
Personal mortgage loans	73,343.81	11.15	67,439.75	11.85
Personal business loans	65,285.62	9.93	54,466.75	9.58
Personal consumption loans	10,051.30	1.53	9,508.81	1.67
Balance of credit cards	9,748.74	1.48	8,916.49	1.57
Total Discounted bills	92,206.77	14.02	48,736.87	8.56
Bank acceptance bills	92,040.23	13.99	44,973.44	7.90
Commercial acceptance bills	166.54	0.03	3,763.43	0.66
Total loans and advances to customers	657,662.93	100.00	568,926.17	100.00

As at 31 December 2021, the Group's working capital loans, fixed asset loans and finance lease receivables amounted to RMB159,082 million, RMB223,869 million and RMB18,748 million, respectively, representing 39.08%, 55.00% and 4.61% of our total corporate loans, respectively, with an increase of RMB375 million or 0.24%, RMB24,076 million or 12.05%, and RMB3,400 million or 22.15%, as compared to the end of last year, respectively, mainly due to the continuous increasing support on the real economy of the Group and the continuous growth of the scale of loans of the Company..

As at 31 December 2021, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards amounted to RMB73,344 million, RMB65,286 million, RMB10,051 million and RMB9,749 million, respectively, representing 46.29%, 41.21%, 6.35% and 6.15% of our total personal loans, respectively. Among which, personal business loans and personal mortgage loans increased by RMB10,819 million and RMB5,904 million, or 19.86% and 8.75%, as compared to the end of last year, respectively, while personal consumption loans and balance of credit cards increased by RMB542 million and RMB832 million, or 5.71% and 9.33%, as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the discounted bank acceptance bills and discounted commercial acceptance bills of the Group amounted to RMB92,040 million and RMB167 million, respectively. Among which, discounted bank acceptance bills increased by RMB47,067 million, as compared to the end of last year, primarily because the Group increased its holdings of discounted assets in accordance with the bill market conditions and capital arrangements within the Group.

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	324,521.95	49.34	301,805.77	53.05
Pledged loans	36,011.48	5.48	38,979.93	6.85
Guaranteed loans	164,409.82	25.00	142,863.74	25.11
Unsecured loans	132,719.68	20.18	85,276.73	14.99
Total loans and advances to customers	657,662.93	100.00	568,926.17	100.00

As at 31 December 2021, the collateralized loans, guaranteed loans and unsecured loans of the Group increased by RMB22,716 million, RMB21,546 million and RMB47,443 million, or 7.53%, 15.08% and 55.63%, as compared to the end of last year, respectively. The pledged loans decreased by RMB2,968 million, or 7.62%, as compared to the end of last year. The proportion of collateralized and pledged loans to total loans remained high at 54.82%.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Investments

The following table sets forth the composition of investments of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	91,628.57	29.16	90,247.50	34.38
Financial assets at fair value through other comprehensive income	65,205.25	20.75	75,677.33	28.82
Financial assets measured at amortized cost	157,404.70	50.09	96,599.36	36.80
Total investments	314,238.52	100.00	262,524.19	100.00

As at 31 December 2021, total investments of the Group increased by RMB51,714 million, or 19.70%, to RMB314,239 million as compared to the end of last year.

(II) Liabilities

The following table sets forth the composition of total liabilities of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	849,766.80	79.07	778,424.85	81.77
Deposits from banks and other financial institutions	36,226.68	3.37	41,229.92	4.33
Placements from banks and other financial institutions	1,331.55	0.12	1,818.58	0.19
Financial assets sold under repurchase agreements	32,359.98	3.01	10,070.05	1.06
Debt securities issued	108,033.56	10.05	76,643.88	8.05
Others ⁽¹⁾	47,024.79	4.38	43,799.06	4.60
Total liabilities	1,074,743.36	100.00	951,986.34	100.00

Note:

- (1) Mainly included tax payable, borrowings from central bank and salaries, bonuses, allowances and subsidies payable and others.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, total liabilities of the Group increased by RMB122,757 million, or 12.89%, to RMB1,074,743 million as compared to the end of last year. The amount due to customers stably increased by RMB71,342 million, or 9.16%, as compared to the end of last year, in which its proportion to the liabilities of the Group remained at a relatively high level.

1. Due to customers

The following table sets forth the amount due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits⁽¹⁾				
Time	200,646.03	23.61	184,855.37	23.75
Demand	179,302.17	21.10	172,388.27	22.15
Subtotal	379,948.20	44.71	357,243.64	45.90
Personal deposits				
Time	327,913.87	38.59	274,991.61	35.33
Demand	125,691.46	14.79	121,225.97	15.57
Subtotal	453,605.33	53.38	396,217.58	50.90
Pledged deposits	13,370.52	1.57	13,726.69	1.76
Other deposits⁽²⁾	2,842.75	0.34	11,236.94	1.44
Due to customers	849,766.80	100.00	778,424.85	100.00

Notes:

(1) Mainly included deposits from corporate customers and government bodies.

(2) Mainly included treasury time deposits and fiscal deposits .

As at 31 December 2021, the amount due to customers increased by RMB71,342 million, or 9.16%, to RMB849,767 million as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 53.38% of our total amount due to customers, and the balance of personal deposits increased by RMB57,388 million, or 14.48%, as compared to the end of last year; corporate deposits accounted for 44.71% of our total amount due to customers, and the balance of corporate deposits increased by RMB22,705 million, or 6.36%, as compared to the end of last year. With respect to the maturity structure, the balance of demand deposits accounted for 35.89% of our total amount due to customers, representing a decrease of 1.83 percentage points over the end of last year, while the balance of time deposits (excluding pledged and other deposits) accounted for 62.20%, representing an increase of 3.12 percentage points over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	11,451.27	13.18	9,808.27	12.92
Preference shares	9,820.73	11.30	9,820.73	12.94
Capital reserve	18,957.88	21.82	10,952.99	14.43
Surplus reserve	5,350.06	6.16	5,055.78	6.66
General risk reserve	14,618.36	16.82	12,944.07	17.06
Investment revaluation reserve	87.38	0.10	(238.46)	(0.31)
Remeasurement gains on defined benefit plans	(35.72)	(0.04)	5.07	0.01
Retained earnings	19,777.35	22.76	21,138.63	27.86
Non-controlling interests	6,857.96	7.90	6,398.23	8.43
Total shareholders' equity	86,885.27	100.00	75,885.31	100.00

As at 31 December 2021, the Bank recorded a paid-in capital of RMB11,451 million, private placement raising 1,643 million shares for the year, capital reserve of RMB18,958 million and retained earnings of RMB19,777 million. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

III. LOAN QUALITY ANALYSIS

(I) Five-Category Classification of Loans

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into substandard, doubtful and loss categories.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	618,543.63	94.05	533,499.04	93.77
Special mention	27,069.39	4.12	25,117.15	4.42
Substandard	5,569.33	0.85	2,829.24	0.50
Doubtful	5,930.98	0.90	6,211.36	1.09
Loss	549.60	0.08	1,269.38	0.22
Total loans and advances to customers	657,662.93	100.00	568,926.17	100.00
Non-performing loan ratio⁽¹⁾	–	1.83	–	1.81

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

Under the complicated and difficult external environment in addition to the impacts of the COVID-19 and other factors, the Group continued to increase risk mitigation and non-performing disposal efforts. As at 31 December 2021, the non-performing loan ratio of the Group was 1.83%, which increased by 0.02 percentage point from the end of last year; the special-mentioned loan accounted for 4.12%, which decreased by 0.3 percentage point from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Wholesale and retail	4,794.14	45.77	7.35	1,376.26	15.68	2.22
Leasing and commercial services	2,632.05	25.13	2.64	2,921.50	33.29	3.42
Construction	918.12	8.77	2.36	312.59	3.56	0.80
Manufacturing	649.33	6.20	1.54	643.66	7.33	1.66
Real estate	593.16	5.66	1.00	1,217.20	13.87	2.06
Transportation, storage and postal services	307.35	2.93	3.13	1,065.51	12.14	10.54
Healthcare and social welfare	140.13	1.34	7.02	3.21	0.04	0.15
Agriculture, forestry, animal husbandry and fishery	127.16	1.21	1.29	975.09	11.11	9.49
Information transmission, software and information technology services	81.89	0.78	1.27	24.65	0.28	0.42
Household, repair and other services	81.42	0.78	0.46	4.84	0.06	0.04
Hotel and catering	48.75	0.47	0.27	88.50	1.01	0.47
Education	30.37	0.29	0.25	26.74	0.30	0.27
Production and supply of electricity, heat, gas and water	0.91	0.01	0.03	4.96	0.06	0.19
Water conservation, environment and public utilities management	0.02	–	–	100.32	1.14	0.98
Others	68.91	0.66	0.55	11.67	0.13	0.09
Total non-performing corporate loans	10,473.71	100.00	2.57	8,776.70	100.00	2.31

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

As at 31 December 2021, influenced by the pandemic, non-performing loans of wholesale and retail and construction industries increased compared with the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-performing loan ratio (%)	Amount	Percentage of total (%)	Non-performing loan ratio (%)
Corporate loans	10,473.71	100.00	2.57	8,776.70	100.00	2.31
Personal loans	1,576.20	100.00	0.99	1,533.28	100.00	1.09
Personal residential mortgage	330.59	20.97	0.45	288.65	18.83	0.43
Personal business loans	761.27	48.30	1.17	728.60	47.52	1.34
Personal consumption loans	192.45	12.21	1.91	221.45	14.44	2.33
Balance of credit cards	291.89	18.52	2.99	294.58	19.21	3.30
Total non-performing loans	12,049.91	100.00	1.83	10,309.98	100.00	1.81

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complicated and difficult external environment in addition to the impact of the COVID-19 pandemic, as at 31 December 2021, non-performing ratio of corporate loans of the Group increased by 0.26 percentage point to 2.57% as compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Overdue Loans to Customers

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	625,913.95	95.17	556,383.67	97.80
Loans that were past due	31,748.98	4.83	12,542.50	2.20
Within 3 months	14,125.91	2.15	4,983.21	0.87
3 months to 1 year	12,202.05	1.86	5,606.14	0.99
1 year to 3 years	5,136.30	0.78	1,603.10	0.28
Over 3 years	284.72	0.04	350.05	0.06
Total loans and advances to customers	657,662.93	100.00	568,926.17	100.00

Due to the impact of multiple factors such as changes in the international political and economic and trade environment and the COVID-19 outbreak, some of our customers were liquidity constrained and temporarily overdue for interest. As at 31 December 2021, overdue loans amounted to RMB31,749 million, representing an increase of RMB19,206 million over the end of the previous year and accounting for 4.83%, representing an increase of 2.63 percentage points as compared with the end of the previous year.

(V) Rescheduled Loans and Advances

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	19,530.39	2.97	6,669.32	1.17

Under the complex and severe external environment, overlaid with the impact of the COVID-19 outbreak and other factors, the Group adjusted the repayment terms of the loan contracts of some borrowers accordingly. As at 31 December 2021, the restructured loans and advances amounted to RMB19,530 million, representing an increase of RMB12,861 million as compared with the end of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by the weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021	As at 31 December 2020
Core Tier 1 capital adequacy ratio	9.68%	9.20%
Tier 1 capital adequacy ratio	11.06%	10.74%
Capital adequacy ratio	13.09%	12.56%
Portion of paid-in capital that may be included	11,451.27	9,808.27
Portion of capital reserve that may be included	18,957.88	10,952.99
Surplus reserve	5,350.06	5,055.78
General risk reserve	14,618.36	12,944.07
Retained earnings	19,777.35	21,138.63
Portion of minority interests that may be included	2,804.66	2,258.26
Others	51.65	(233.40)
Total core Tier 1 capital	73,011.23	61,924.60
Regulatory deductions for core Tier 1 capital	(1,393.51)	(1,525.89)
Of which: goodwill and other intangible assets (excluding land use rights)	(936.03)	(919.92)
Core Tier 1 capital, net	71,617.72	60,398.71
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	407.33	292.89
Net Tier 1 capital	81,845.78	70,512.33
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,999.00	9,998.87
Excessive loan loss allowances	4,259.50	1,364.19
Portion of minority interests that may be included	778.78	594.20
Net capital	96,883.06	82,469.59
Total risk-weighted assets	739,973.78	656,572.37

As at 31 December 2021, the Group's capital adequacy ratio was 13.09%, representing an increase of 0.53 percentage point over the end of last year, mainly due to that the growth rate of net capital over the beginning of the year exceeded that of risk-weighted assets over the end of the last year. Net capital was RMB96,883 million, representing an increase of RMB14,413 million or 17.48% over the end of the last year, mainly due to the successful replenishment of capital through private placement by the Bank. Risk-weighted assets amounted to RMB739,974 million, representing an increase of RMB83,101 million, or 12.70% over the beginning of the year, mainly due to the substantial increase in credit risk-weighted assets for on- and off-balance sheet businesses over the end of the last year, and the increase in operational risk-weighted assets over the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF LEVERAGE RATIO

As at 31 December 2021, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) as follows:

Item (Expressed in RMB million, unless otherwise stated)	As at 31 December 2021
Net Tier 1 capital	81,845.78
The balance of assets on and off balance sheet after adjustments	1,233,458.97
Leverage ratio (%)	6.64%

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the year ended 31 December			
	2021		2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	11,605.17	49.42	11,234.46	52.95
Retail banking business	7,592.03	32.33	6,836.68	32.22
Treasury business	3,906.22	16.64	2,838.27	13.37
Others	377.11	1.61	309.00	1.46
Total operating income	23,480.53	100.00	21,218.41	100.00

VII. ANALYSIS OF OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items mainly include acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) generated in the course of ordinary business of the Group. As at 31 December 2021, the balances of acceptance bills, issuance of letters of guarantee, issuance of letters of credit and loan commitments (including unused credit card limit) were RMB37,752 million, RMB36,661 million, RMB1,667 million and RMB143,480 million, respectively.

VIII. CONTINGENT LIABILITIES

For details of the Group's contingent liabilities as at 31 December 2021, please refer to note 41 and 43 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION

I. Corporate Banking Business

1. *Corporate Deposit Business*

Adhering to the concept of “establishing the Bank by deposits”, and upholding the operation and management concept of “customer-centered, market-oriented”, the Bank continued to improve the quality and efficiency of the development of the corporate deposit business through the implementation of classified and hierarchical marketing management strategy. For enterprise customers, the Bank has expanded the deposits of corporate customer group and implemented the return of corporate customer settlement funds, realizing an increase in 0.9% of settlement as compared with the beginning of the year. For village community customers, the Bank continued to consolidate its advantages in village community business, and improved the financial service level of the whole village in combination with the construction of the whole village financial service scene, to effectively realize the return of village community deposits such as land acquisition compensation and the operation income of village collective owned properties. For institutional clients, the Bank made full play to the advantage in bank government cooperation, and actively applied business platform such as financial authorised payment, rural collective fund account supervision, and “easy bidding”, as well as account management services such as property special maintenance fund and pre-sale fund supervision, so as to deeply tap customer value and enhance the depth of cooperation.

2. *Corporate Loan Business*

The Bank took the “14th Five-Year Plan” of the central, provincial and municipal governments and the strategic development plan of the head Bank as the guidance, firmly supported the development of real economy and private economy, as well as provincial and municipal key infrastructure construction projects in the Guangdong-Hong Kong-Macau Greater Bay Area. The Bank adhered to the original mission, provided small and medium enterprises and agriculture related enterprises with financial services. The Bank handled non-principal repayment and loan renewal services for enterprises through “Continuous Revolving Loan”, so as to effectively reduce the financing cost of small and medium-sized enterprises. The Bank made great efforts to develop green finance, defined the recognition standards of green finance, and increased the investment of green loans. In 2021, the Bank established a green finance working group, built a green finance product system and launched a dedicated green credit product called “Carbon Emission Right Mortgage” to promote the development of green finance with the product; the Bank continuously supported the real economy through product innovation, launched “Jinmi Academy Loan” and “Project Financing Loan”; to win the public competitions, the Bank built an agile team to explore industry chain solutions, and launched “Integrated Financial Services Solution in the Industry Park”.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Trading Bank Business

The trading bank business of the Bank focused on customers, and was committed to building an integration of domestic and overseas, local and foreign currencies, online and offline, as well as onshore and offshore global financial service platform. The Bank has built six series of trading bank product systems, covering deposits settlement, cash management, online banking, banking services, supply chain finance and cross-border business. In 2021, the Bank continuously enriched products and enhanced customer experience by focusing on the product digital innovation and application. First, we deepened the development of rural finance business, applied digital technology, innovated and implemented businesses such as “Cun Zi Bao”, supervision of urban renewal funds and supervision of rural collective funds to realise the digital transformation of rural capital management mode and empower rural revitalisation; Second, we promoted the banking and livelihood services at all levels, completed the launch of “digital finance” at two municipalities, six districts and thirteen township levels, and continuously enriched digital livelihood protection services; Third, we launched online products and services such as “Cloud Treasury” cash management, “Single Window” international trade, “Easy second discount”, “E-guarantee”, individual online cross-border remittance and global innovation payment GPI, taking a further step towards digital transformation; Fourth, we made comprehensive use of diversified supply chain financial products and PBOC rediscounting policy tool to reduce the cost of corporate financing and assist the development of industrial finance and the real economy; Fifth, we took cross-border trade and facilitation of investment and financing as the guidance, built the “Jinmi • Cross-border Financial Services Solution”, which covered three product systems of Smart Settlement, Beneficial Trading and Smooth Financing to provide one-stop solutions to cross-border financial services demands, and provided financial services support to “stabilise foreign capital”, “stabilise foreign trade” and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area.

4. Investment Bank Business

In 2021, the Bank fully leveraged on its local main underwriter licence, adhered to the development concept of light capitalisation, mainly focused on the building of investment banking product system that included direct financing, asset securitisation and structural financing, supported the development of Guangdong-Hong Kong-Macao Greater Bay Area with diversified investment banking products, and assisted Guangzhou City to realise the new vitality of an old city. The Bank took innovation as the driving force, assisted enterprises issuing such innovative bonds as carbon neutralisation bonds, rural revitalisation bonds and green bonds, actively responded to national development strategies, and supported rural economic development through syndicated loans and rural revitalisation bonds. In 2021, the direct financing business of the Bank, including bond underwriting, increased steadily and was awarded the WIND Best Credit Underwriter Excellence Award, the Best Interbank Debt Financing Instrument Underwriter Excellence Award and the Bond Underwriting Rapid Progress Award, contributing to a steady increase in market recognition and brand awareness.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Retail Finance Business

1. Retail Deposit Business

The Bank maintained a steady growth in the size of deposits, ranking second in Guangzhou in terms of market share and first in terms of growth. In 2021, the Bank implemented the regulatory requirements to reprice retail deposit products and increase the marketing of short and medium term deposit products, to enhance the overall profitability of retail deposits; the Bank focused on the demands of key customer groups such as long-tail customers, high potential youths and urban and rural well-off, launched five special deposit products and one innovative feature, such as “Satisfactory Deposit Slip” and “Smart Rich Holiday”, and increased the number of personal deposit products on sale to 18, contributing to the leading role in product types and overall competitiveness in the industry. The Bank continued to enhance product iteration and optimisation, continued to enrich the types of online deposits channels such as WeChat Banking and Mobile Banking; conducted labelling marketing of retail deposits, and increased differentiated and precise marketing instruments. As of the end of 2021, the scale of the point of time of saving deposits of the Bank was RMB360.1 billion, representing an increase of RMB40.8 billion, or 12.7%, as compared to the beginning of the year. The annual growth rate was 3.22 percentage points higher than the average level of the same industry, and the market share increased by 0.44% over the beginning of the year.

2. Retail Loan Business

Based on the origin of mortgage loans, the Bank’s retail credit business continued to innovate and improve efficiency, and optimised consumption loan products and business processes. Under the control of the concentration of real estate loans and the monetary credit policies of the People’s Bank of China, the Bank insisted on expanding the mortgage business for brand-new and second-hand housing, which meets the immediate needs of residents. The Bank expanded offline and online consumer loans in bulk through digital empowerment of retail risk control, and developed and launched new products including “Consumer E-loan”, “Car Parking E-loan”, “Home Loan” and pre-credit for existing customers.

3. Bank Card Business

The Bank continuously enriched its debit card products and incentivized the issuance of debit card products. As of the end of 2021, the Bank issued 17,000 “Lingyue Card (領粵卡)” series Nansha talent cards, Zengcheng doctor cards and other high-end Leading Yue talent cards, and undertook RMB880 million of talent subsidies, contributing to the significant comprehensive benefits on credit card, consumption loan, operation loan and mortgage Loan. In 2021, entering into “Naxian Card (納賢卡)” and “Lishi Card (禮士卡)” with Huangpu District enabled the continuous expansion of the service map of “Lingyue Card (領粵卡)” series talent cards, and the Banks continuously provided Guangzhou top talents with integrated financial services.

In 2021, the Bank made new breakthroughs in qualification of social security card business, and Heyuan Branch successfully won the tender of social security card project in Heyuan City for a period of three years, becoming the first off-site branch to be awarded a social security card issuance qualification.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Bank issued an accumulation of 686,700 new personal debit cards, and had 8,019,200 existing personal debit cards. The cumulative spending related to the debit cards of the Bank amounted to RMB99,613 million, and the various fee income arising from personal debit cards reached RMB3.3 million.

4. *Wealth management and private banking business*

The Bank seized the growing trend of residents' asset allocation demand, and vigorously developed its wealth finance business, maintaining stable growth of retail customer assets.

In 2021, the Bank mainly focused on customer service, product system and professional support to improve wealth management services. First, the Bank reshaped customer stratification and refine retail customer management. The Bank developed a differentiated tiered service system, a ranking mechanism and a value proposition to provide differentiated services to customers with different tiers. Second, the Bank built an open product platform and enrich the wealth product system. The Bank enhanced the brand value of "Golden Rice Wealth" from three systems, namely services, products and investment. According to the market changes, the Bank has improved the whole life cycle product management system, optimized the evaluation criteria for institutional and product access, enriched the asset allocation ecosystem, and added three new types of wealth products. Third, the Bank established a framework for investment research and investment advisory, strengthened professional service support, and developed an "investment research-conducting-promotion" asset allocation transmission mechanism.

In 2021, the Bank's wealth business won many honors, successively winning the Wealth Management Award for the Year of 2021 China Golden Tripod Award and the Gamma Award of 2021 Golden Wealth Management Brand. The Bank won the "First Prize", "Second Prize" and "Excellent Organization Award" in the 40th Anniversary of the Resumption of the Issuance of Treasury Bonds organized by the Ministry of Finance, being the only agricultural and commercial bank in China to win three awards.

5. *Credit card business*

In terms of credit card business, the Bank focused on building a credit card product system with rich levels, distinctive features and friendly experience, and continuously strengthened product and service innovation. The Bank launched the first village card in Guangzhou, and launched the Rural Revitalisation Card and the Huinong Instalment Business to enhance its capability to serve Sannong and local community by means of product portfolio advantages; in order to improve customer acquisition efficiency, the Bank launched digital credit card to realise instant application and use in designated scenarios, to achieve scenario-based customer acquisition. At the same time, the Bank relied on data decision-making and channel building to achieve accurate marketing based on the customer life cycle, and continued to optimise customer experience.

As of the end of December 2021, the Bank issued 1,887.3 thousand credit cards, an increase of 7% as compared to the end of last year. In 2021, the Bank's intermediate income from credit card business amounted to RMB184 million, and the operating income reached RMB725 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Market Business

The Bank's financial market business mainly covered fund operation business, investment business, bill rediscounting business, asset custody business and wealth management business. In 2021, the triple pressure of shrinking demands, supply shock and weakening expectations faced by the domestic economy with the impact of century pandemic, and the credit risk of some industries increased with aggravating volatility of external financial market. Under this background, the Bank insisted on its working principle of progressing steadily in its financial market business, insisted on low risk business as the main direction of development, insisted on the recurrence of financial market business origins, and continued to deepen the transformation of financial market business following the basic thought of "Adjusting Structure, Controlling Risks, Intensifying Management, Building Ecology and Establishing Brand". In 2021, with the steady growth in scale of the Bank's financial markets business, continuous improvement on profitability, further optimisation of the business structure, constant enhancement of risk control capabilities and full completion of the financial management business rectification and net-worth transformation, various financial markets businesses maintained healthy development.

Meanwhile, in 2021, the Bank received a number of prizes in the financial market, including the "Market Impact Award of the Year - Outstanding Trading Institution (年度市場影響力-活躍交易商)" awarded by the National Interbank Funding Centre, "Top 100 Self-settlement (自營結算100強)" awarded by the China Central Depository & Clearing Co., Ltd., "2021 Excellent Organization of Domestic RMB Financial Bond Underwriting Market Maker - Excellent Underwriter (2021年度境內人民幣金融債券承銷做市團-優秀承銷商)" awarded by the Export-Import Bank of China, and "the Second Session of Golden Sinan Award of China Asset Management Industry – Best Asset Management Rural Commercial Bank (第二屆中國資產管理行業金司南獎-最佳資產管理農村商業銀行)".

(I) Fund Operation Business

The fund operation business of the Bank mainly comprised the interbank placements, bond repurchase business, open market business and issuance of interbank deposit certificates. As the first-tier dealer in the public market, the Bank proactively performed its responsibilities as first-tier dealer, on the one hand, it continued to increase fund utilisation efficiency to increase fund support to the outstanding counterparts, on the other hand, it increased counterparty coverage under risks within control. Its counterparty base basically covered member institutions in the interbank market including banks, securities companies, fund companies and insurance companies, which continuously enhanced the Bank's influence in the interbank market. In 2021, fund trading size of the Bank amounted to RMB8.5 trillion. Meanwhile, the Bank actively promoted the innovation of cross-border financial cooperation in Guangdong, Hong Kong and Macao Greater Bay Area, and supported the development of Macao's offshore RMB market. In 2021, the Bank launched Guangdong's first interbank lending business with Macao RMB Clearing Bank, adding new channels for cross-border financial interconnection in Guangdong, Hong Kong and Macao Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Investment Business

The Bank's investment business insisted on low-risk business, mainly investing in government bonds, policy bank bonds, local government bonds, highly-rated credit bonds and high-quality banking loans, and strictly controlled credit risks. In terms of business innovation, the Bank successfully invested RMB50 million RMB Denominated Bonds (Panda Bonds) in the Luso International Bank in 2021, which was the first Panda Bond issued by Macau-based enterprises in China.

Meanwhile, the Bank strengthened its investment research capabilities in the financial market, established a professional investment research team, continued to improve investment research level, and strengthened the support of investment research for investment decision-making. In 2021, investment business grew in scale and profitability as a result of seizing structural investment opportunities in the main market.

(III) Bill Rediscounting Business

The Bank engaged in various bill transaction products such as bill rediscounting, bill pledge and repurchase, bill buy-outs repurchase, etc. The profitability of bill rediscounting business continued to improve through conducting bill trading business with financial institutions to generate liquidity or spread-based income. In terms of selection of counterparts, the Bank cooperated with permitted members of the Shanghai Commercial Paper Exchange Corporation Ltd. such as commercial banks, fund companies and securities companies. In 2021, the Bank's bill trading activity continued to increase, the transaction volume of bill rediscounting amounted to RMB447,559 million.

(IV) Asset Custody Business

The Bank provided efficient and quality custody services on settlement, accounting and investment supervision, etc., in line with the transformation direction of financial market business, strengthened the marketing of public funds, private equity funds and bank financial management custody, strictly implemented risk prevention and control, and steadily developed asset custody business. In 2021, the operation was smooth and orderly and no risk incidents, with a cumulative settlement amount of RMB2,880 billion and 102.9 thousand settlements made.

(V) Wealth Management Business

The Bank seriously implemented requirements of New Regulation on Asset Management, and fully completed the net-worth transformation of wealth management products. The Bank continuously optimised its wealth management business portfolio, cleared interbank wealth management, fully boosted the retail wealth management business, and proactively promoted the development of its entrusted agents-selling business of Renminbi wealth management products. As of the end of 2021, the Bank's retail wealth management (excluding agent retail wealth management) accounted for 79.91%, and entrusted agent-selling of wealth management accounted for 11.07%.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Inclusive and SME Businesses

(I) Active Implementation of Various Policies

The Bank actively responded to the working requirements of the Party Central Committee on “Stability in Six Areas and Six Priorities” and supported the business guidance of real economy development. The Bank thoroughly implemented the requirements of the People’s Bank of China’s policy of supporting small loans, made full use of the two innovative monetary tools of the People’s Bank of China to support credit loans and postpone repayment of principal and interest, and enhanced financial services to assist SME to go through difficult times. As of the end of 2021, the balance of SME loans of the Bank was RMB37.223 billion, representing an increase of 17.88%; It served 32,293 SME loan customers, an increase of 7,751 over the beginning of the year. The weighted average interest rate of SME loans issued by the Bank was 4.90%, which was lower than the weighted average interest rate of similar businesses issued last year, effectively reducing the financing cost of small and micro enterprises. In 2021, the Bank had put in total RMB25,615 million of loans, involving 6,203 farmers in compliance with the requirements of supporting small loan policy, with a weighted average interest rate of 4.56%.

(II) Gradual Upgrading of “Foundation Works”

The Bank adheres to the principle of localized development and continues to promote the grid-based full coverage for village communities, communities and professional markets; Through business cooperation with market managers, membership business associations, trade associations and region associations, the financial service coverage for small-micro businesses can be realised in batches. Relying on the core enterprises of the supply chain, based on the characteristics of the supply chain and the financing needs of each transaction link, the comprehensive service plan of the business model is tailored to expand the financing needs of small and micro enterprises upstream and downstream of the core enterprises in batches.

(III) Full Promotion to the Whole Village Credit

Combining the local development characteristics and business development priorities of the villages, the Bank made full use of the local unique geographical and basic advantages, formulated a tailored batch financing scheme for enterprises, merchants, residents and villagers with different conditions in each key village, and actively built a demonstration credit village of rural financial with “whole village credit”, assessed the credit villagers, promoted the construction of rural credit system, further consolidated the size of customer base and improved the quality effect of Inclusive Financing Service. As of the end of 2021, 13 central sub-branches of the Bank released an aggregate investment of RMB750 million throughout the year.

(IV) Establishment of Inclusive Financial Community Bank

Leveraging on the development of large-scale mature community customer clusters, the Bank has established 3 inclusive financial community banks, committed to building an umbrella-shaped “marketing fortress cluster” (i.e., “1+N model”) with the central branch as the center and the inclusive financial community bank as the connecting point. Focusing on the needs of community residents and with “convenience” as the core, the Bank carried out various kinds of integrated marketing work to improve the comfort of community residents and fully enhance the availability and convenience of Inclusive Financing Service.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) Enriching Inclusive Series Products

The Bank actively launched the product of "Jinmi • Start-up Guaranteed loans", and proactively responded to the government's call to increase support in promoting entrepreneurship and improving people's livelihood; launched the product of "Jinmi • Military Support loans", and proactively leveraged our own service advantages and fulfilled our duties and obligations to support military supporters.

The Bank has continuously improved the series of Jinmi inclusive products, optimised the product of "Jinmi • Poverty Alleviation Microcredit", "Jinmi • SME loans", "Jinmi • Villager Enrichment loans", "Jinmi • Villager E loans", and "Jinmi • Technology loans" to improve the support for village community, small and micro-sized enterprises, and technology enterprises, including increasing the credit limit and tenure, expanding the customer base, improving the customer experience, meeting more scenarios, etc..

(VI) Creating Brand Image of "Golden Rice Inclusive"

The Bank adhered to the inclusive brand vision of "Focusing on Details with Golden Rice Inclusive" to strengthen brand awareness and influence. In 2021, the Bank hosted the online communication meeting of the Inclusive Finance Committee of the Asian Union to promote high quality development of inclusive finance; jointly guided the operating institutions to participate in industry association and government connection conference to promote products and enhance brand image; won various awards such as the 2021 Outstanding Competitive Inclusive Finance Bank Award to enhance the brand awareness; published micro-life passages, produced the "most beautiful inclusive people" promotional video, placed advertisements on elevators and buildings, and visited villages and households for promotion.

V. Internet Finance

1. Mobile banking

Adhering to the development philosophy of "customer-centered", the Bank strived to enhance the standard of digitalisation and intelligence of mobile banking, to provide customers with safe, quick and convenient online business experience. Firstly, the Bank launched the "Smart Online Business Hall", embedding the remote warm and interactive service mode of the Bank into its online channels through remote real-time audio and video communication, biometric identification and other technologies, so that customers can enjoy "warm" counter-type non-contact services through the smart terminals and quickly handle such businesses that could only be handled in person at offline branch. Secondly, the Bank launched an age-appropriate and barrier-free version of mobile banking. The Bank has made age-appropriate changes to mobile banking in terms of user interface and interaction process, and introduced voice recognition function for the first time to facilitate online financial services for the elderly, practically solved the increasingly prominent problem of "digital gap" among the elderly and fulfilled its responsibility of inclusive finance. Thirdly, the Bank consolidated the basic financial capability of mobile banking, enriched the value-added services of mobile banking, upgraded the payment and settlement functions of mobile banking, and introduced value-added services such as provident fund query and reservation handling. As of 31 December 2021, the Bank had approximately 4.0237 million mobile banking customers with 17.7128 million financial transactions, and a transaction amount of RMB493,005 million. The "Smart Online Business Hall" of the Bank was rewarded the "CLS 2021 China Digital Innovation Application Award".

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Internet banking*

The Bank continued to optimize its internet banking customer experience. As of 31 December 2021, the Bank had approximately 1.9369 million personal internet banking customers with 3.9022 million financial transactions, and a transaction amount of RMB201,324 million. The corporate internet banking contracted customers reached approximately 25,500, and the transaction amount was more than RMB1,200 billion.

3. *Direct banking*

The Bank continued to deepen the integration of the financial services and convenience scenarios of direct banking, creating convenient scenarios such as “smart campus” and “smart business districts” and building open financial industry to achieve inclusive finance services. As of 31 December 2021, the Bank had approximately 0.8893 million direct banking customers with 0.908 million financial transactions, and transaction amount was RMB18,010 million.

4. *WeChat banking*

The Bank’s WeChat banking integrates publicity, customer service and financial tools, and provides the customers with fast and easy financial services such as wealth management and purchase, financial information, account enquiry, and appointment for corporate account opening, through which the products of the Bank are promoted in a casual manner. As a result, it has gradually become an important channel for the Bank’s brand publicity and business promotion. As of 31 December 2021, the Bank’s customers of WeChat banking reached 1.0106 million.

VI. **Distribution Channels Mode**

1. *Physical Outlets*

As of 31 December 2021, the Bank had 635 operating outlets (including 1 franchise institution), of which 617 were located in the Guangzhou region (including 1 franchise institution) and 18 were non-local outlets in the province. In terms of the number of outlets in the Guangzhou region, the Bank ranked first among the banks in the Guangzhou region. The Bank operated 5 non-local branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai, 12 sub-branches and 1 sub-office.

2. *Self-service Banking*

As of 31 December 2021, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,499, among which 1,597 were ATMs, 578 were self-service inquiry terminals and 324 were smart service terminals.

3. *Smart Banking*

As of 31 December 2021, the Bank had a total of 250 smart banking outlets, and 324 smart facilities including 17 VTM and 307 STM were installed.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL TECHNOLOGY

In 2021, the Bank proactively propelled the establishment of information system and constantly intensified the supporting role of information technology in the development of banking business. The Bank continuously increased its investment in technological innovation and application with the annual investment in information technology amounting to RMB467 million and 307 information technology technicians were hired. In 2021, all important information systems of the Bank maintained a stable operation, no unplanned system outages occurred and the network operation was stable.

I. Technology Governance

The Bank has made great efforts to enhance the ability of science and technology governance and management, established a top-down information technology management framework, established a science and technology finance committee, business continuity management committee and other decision-making authorities, and persistently implemented the “three lines of defense” for information technology risk management. The Board and the senior management conscientiously performed their responsibilities of science and technology governance. The senior management and committees at all levels have organized several meetings to consider the important resolutions, such as the Report of the Finance and Technology Department on the Technology Construction Work Plan for 2021 (《金融科技部關於2021年科技建設工作計劃的匯報》), the Guideline on the Data Governance Work of Guangzhou Rural Commercial Bank (《廣州農村商業銀行數據治理工作指引》) and Report of Building a Distributed Financial Cloud Platform (《分佈式金融雲平台項目建設情況報告》), optimized the structure of finance and technology team and completed the “One Department and Three Centres” structure adjustment of finance and technology department. The Bank improved the software research and development management system, established the management system and management and control mechanism of IT structure, enhanced the technology outsourcing management, and deepened the integration of technology and business, effectively improved the independence of science and technology research and development capability and business support capability, vigorously promoted the implementation of science and technology plan and digital transformation throughout the Bank, and strengthened the science and technology support work of business development and operation management.

II. Information Security Guarantee

The Bank continued to strengthen its capability of information security guarantee by strictly protecting the data center and key information infrastructure. It also actively introduced new technologies and mature systems, timely upgraded security equipment and enhanced external protection capability, continuously improved cyber securities related management system, implemented cyber security responsibilities, carried out penetration tests on the Internet application system, host vulnerability scanning and security baseline inspection, software and hardware inspection, and supervision on handling of incident, conducted application access review and information security assessment, and strengthened system risk prevention and control. By carrying out the systematic information security management, the Bank effectively enhanced the level of information security guarantee and achieved the goal of no major information security incidents occurred throughout the year.

III. Business Continuity Management

The Bank continuously improved its operation and maintenance capability, successfully completed the protection work of major festivals, including the 100th anniversary of foundation of the Party and the 72nd anniversary of foundation of the PRC, achieved stable operation of the production system throughout the year without major incidents, orderly conducted 11 batches of emergency switchover drills for application systems, a total of 16 sets of intra-city disaster-related switchover drills for important information system, 131 sets of local availability switchover drills for information system, and 2 switchover drills for data centre power to enhance business continuity protection capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Development of Financial Technology

The Bank continued to increase the investment in technology resources, formulated the Financial Technology Strategic Development Plan for 2021-2025 (《金融科技戰略發展規劃(2021-2025)》) based on its strategic vision of “becoming a first-class commercial bank in China”, committed to providing strong scientific and technological support for the Bank's strategic development planning and business operation management, and accelerating the comprehensive digital transformation, around two main lines of “integration of business and technology” and “agile science and technology innovation capability”, and built agile science and technology innovation capability through constructing a solid base of technological infrastructure, consolidating the level of security and protection, establishing a bank-wide centre and system, strengthening data application and service capabilities, and innovating and improving the technological management mechanism.

In 2021, the Bank successfully launched important projects, including the intelligent online business hall, risk management system group, integrated management system for sub-branches, integrated platform for investment bank business and SME service platform, realised the system reverse of Shaoguan Agricultural and Commercial Bank, and completed 35 projects with operation throughout the year, which effectively supported the business development and operation management of all business lines of the Bank.

V. Innovation of Information Technology

The Bank actively carried out information technology innovation. The distributed financial cloud platform won the "2021 Outstanding Contribution Award for Application Innovation of New Technology in the Financial Industry", the intelligent on-line business hall system won the "2021 China Annual Financial Innovation Value List - Digital Innovation Application Award", and the real-time intelligent double-checking audit system was approved by Guangdong Provincial Finance and Technology Association.

PROTECTION OF THE INTERESTS OF FINANCIAL CONSUMERS

The Bank formulated the Administrative Measures for Financial Consumer Rights Protection of Guangzhou Rural Commercial Bank, Implementation Plan for Payment Service Ageing-friendly Work of Guangzhou Rural Commercial Bank, Service Guideline for Special Financial Consumer Groups of Guangzhou Rural Commercial Bank, Administrative Measures for Consumer Complaints Handling of Guangzhou Rural Commercial Bank, Conduct for Outsourcing Credit Card Payment Collection of Guangzhou Rural Commercial Bank, Regulations on the Protection of Personal Financial Information Security of Guangzhou Rural Commercial Bank and Emergency Disposal Plan for Major Consumer Complaints of Guangzhou Rural Commercial Bank, established consumer dispute resolution mechanism, improved customers interests protection system, optimised service experience of elderly people and special financial consumer groups, strictly supervised and required third-party institutions to collect payments reasonably, to ensure that various channels and businesses have a rule basis and protect the interests of customers.

In 2021, more than 2,000 consumer complaints were accepted by the Bank from various channels increased, mainly related to negotiated credit card repayment. To reduce consumer complaints effectively and improved consumer satisfaction, the Bank set up Credit Card Centre Overdue Negotiation Hotline, and entered into the relevant Consumer Mediation Agreement with Guangdong Zhenghe Consumer Interests Protection Centre to expand consumer complaint channels, actively promoted the establishment of a diversified financial dispute resolution mechanism, and resolved financial consumer disputes through non-litigation third party resolution.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Bank launched a number of promotional and educational activities, including "3·15 Consumer Rights Protection Education and Publicity Week", "popularizing financial knowledge and keeping your money in your pocket" and "2021 financial joint publicity and education activity month". The promotional activities were conducted in various forms, with a total of 243 WeChat promotional articles, 2 articles on media publicity and knowledge dissemination, 560,000 broadcasts of interactive voice risk information by 95313 Phone Banking, 7 financial knowledge promotional pages published by Mobile Banking and Pearl River direct banking, to expand the audience and effectively raise financial consumers' risk prevention awareness.

In 2021, the Bank conducted a number of inspections on the protection of personal financial information security, which involved the completeness of the personal information protection system, and the collection, storage and use of information whether within the regulatory requirements and the risk management of outsourcing services, covering all lines of businesses, and rectified problems in a timely manner to ensure that the protection of personal information security was put into practice.

The Bank continuously improved its ageing-friendly service by setting up caring windows and caring seats at all of outlets with handy items, such as presbyopic glasses and magnifier, opened 50 elderly consumer service areas, installed barrier-free access or assistance equipment at 546 outlets (including self-service outlets) throughout the Bank to achieve barrier-free access for special groups. The Bank built 150 warm-hearted stations to provide outdoor workers, the elderly and other public members with convenient services such as rest and financial services knowledge popularity, and provided comprehensive services for special groups through 961111 hotline for special people, the "You Say, I Do" online business hall service and the continuous provision of door-to-door service to broaden the service channels.

COMPREHENSIVE RISK MANAGEMENT

I. Credit Risk Management

Credit risk refers to the risk of economic losses of the Bank arising from failure of the borrower or the counterparty to fulfil relevant obligations as per the contract for various reasons.

The Bank established a comprehensive risk management structure of independent functions, balance of risks, and three lines of defense performing their respective duties, implemented compliance and risk director delegation-based and dual reporting risk management model. The Risk Management Department, Credit Approval Department and Asset Monitoring Department at the head office are responsible for credit risk management.

In 2021, the Bank took the promotion of risk management reform as main line, system development and risk identification as important point and management and control of asset quality as focus, improved credit risk management system, and effectively enhanced its credit risk management capability and level.

1. The Bank pushed forward the optimisation of asset structure, and issued annual credit policies based on the Bank's risk preference and asset portfolio allocation plan, in an effort to guide the credit resources focus towards local enterprises and further increase the support for private enterprises, inclusive and small and micro-sized businesses, and Sannong, strengthened financial support for the real economy, and continued to promote the optimisation of credit risk and asset portfolio structure.

MANAGEMENT DISCUSSION AND ANALYSIS

2. The Bank improved the risk management structure, established a second-tier department, namely the financial market risk management department to enhance the independence of risk control in the financial market business; the post lending management function was transferred to the risk management department to strengthen the comprehensive process of risk management and control.
3. The Bank has comprehensively established and implemented the system of key personnel in charge of operation, issued administrative measures on business owner of credit business principal responsibility system for the operation of credit business, clarified the relevant responsible person of the operating institution is the key personnel in charge of operation of credit business, set the upper limit of non-performing tolerance for the relevant personnel, and ensured the full implementation of credit business responsibility by means of a rigid system, to promote the continuous improvement of risk operation and management capabilities of the Bank.
4. The Bank optimised the credit approval model and authorisation management system, implemented centralized approval for credit business, unified the review and approval standards and improved the quality and efficiency of review and approval; improved the decision-making process and approval mechanism for large credit business; improve the management system for full-time reviewers, improved the review and approval talent training system and accelerated the building of a professional and high quality review and approval team.
5. The Bank strengthened the asset quality control, reshaped the risk warning mechanism, formulated post lending work details, clarified the management responsibilities of relevant departments and key positions and prescribed post lending actions; formulated administrative measures for key consumers, and strengthened the coordination, promotion and supervision of post lending management.
6. The Bank strengthened the disposal of non-performing assets by continuously carrying out the absolute collection campaign on non-performing assets, formulated special disposal work plan of non-performing assets, revised the debt transfer system of non-performing assets, improved the incentive and assessment mechanism, increased the promotion of non-performing assets, accelerated the disposal of offsetting assets and enhanced the disposal efficiency of non-performing assets.
7. The Bank accelerated construction of the risk information system, launched and put the first phase of the project group of the risk management system into practice, overcame the difficulties in systematical management of financial market business, realised the close systematical management of the whole process of medium and high-risk financial market business, and brought the digital transformation of risk management to a new level.

During the Reporting Period, the credit risk asset quality of the Bank was effectively managed through the above key initiatives and was in line with the expected control objectives of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

II. *Liquidity Risk Management*

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business.

The objective of liquidity risk management of the Bank is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfil payment obligations to external parties in a timely manner under the normal operating environment of the Bank or at a highly stressed condition through the establishment of a scientific and comprehensive liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to maintain the balance between effectiveness and security of funds.

The Board of Directors assumes the ultimate responsibility for liquidity risk management, while the Asset/Liability Management Committee under the senior management is responsible for formulating policies and strategies related to the overall liquidity risk management of the Bank, and the Asset/Liability Management Department is responsible for the daily liquidity risk management of the Bank under the guidance of the Asset/Liability Management Committee. Each of the business lines cooperated to perform active liquidity management.

In 2021, the Group continued to implement liquidity risk policies and various measures for liquidity risk management, and enhanced the uniform and centralized management of liquidity risk. The specific management measures included: Firstly, the Group made use of the capital position system for daily position management, centralized scheduling, and conducted timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, the Group included the requirements for liquidity risk management into its business plan to ensure limiting the existing quality liquidity assets within a safe range. Thirdly, based on the risk preference in liquidity risk approved by the Board of Directors, the Group formulated limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure liquidity risk is under control. Fourthly, the Group monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement. Fifthly, the Group carried out stress testing for liquidity risk quarterly to timely assess the Group's liquidity risk tolerance and risk mitigating capability, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis. Sixthly, the Group regularly carried out liquidity risk emergency drills in order to improve the efficiency of its response under emergency situation.

During the Reporting Period, the overall liquidity risks of the Bank were under control, without any significant liquidity risk incidents, all main liquidity risk indicators were able to meet the standards every month, and results of the stress test also showed that the Bank had adequate risk mitigating capability to deal with the crises under pressure.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank exists in the Bank's transaction books and bank books, mainly including interest rate risk and exchange rate risk.

In 2021, the Bank remained concerned about changes in currency policies and market prices, and took a number of measures to enhance the capability to manage market risk. Firstly, it formulated the basic investment policy, and the allocation of major assets was mainly interest rate bonds and high-ranked credit bonds. Secondly, it implemented the risk monitoring mechanism, and established the full-calibre risk monitoring mechanism for on- and off-balance sheet credit bonds, implemented the penetrate-through principle, dynamically collected the underlying bond holdings, conducted overall analysis from the dimensions of scale, limit, and profit and loss on a regular basis, timely indicated risks and supervised rectifications for abnormal deviations in indicators. Thirdly, it carried out stress tests towards market risk on a regular basis, analyzed valuation changes and its impacts on the Bank under light, medium and heavy pressure conditions, and advised on the protection against market risk fluctuation.

During the Reporting Period, the overall market risks of the Bank were under control, without any significant market risk incidents, all important market risk indicators were able to meet the standards every month, and results of the stress test also showed that the Bank was adequate to deal with the valuation change impacts on revenue, net profit and capital adequacy ratios under pressure.

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, staff and IT system, and external events.

In 2021, the Bank continuously optimised and improved its operational risk management system. Firstly, it revised the operational risk management measures through the Bank, and clarified the operational risk management responsibilities and management requirements of all units of the Bank; Secondly, it set quantitative monitoring indicators to achieve multi-dimensional normalisation risk monitoring for institutions and businesses; Thirdly, it strengthened incident loss data statistics, analysis and reporting; Fourthly, it enhanced the behavior management of employees, conducted investigation against abnormal behaviors, and ascertained and disposed of non-compliant hidden.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Information Technology Risk Management

Information Technology Risk Conditions refer to information technology in the application process of the Bank generating operation, law and reputation risks due to natural factors, human factors, technical loopholes and management flaws.

In 2021, the Bank took no significant information technology risk incidents and no important business operation interruptions as management targets, and continuously strengthened information technology risk management. Firstly, it conducted information technology risk normalisation monitoring, and strengthened risk warning in important areas and sections; Secondly, it conducted risk assessment on information technology development projects, important information system to put into practice and significant changes, meanwhile, conducted specialised risk assessment on information technology operation and maintenance and information technology outsourcing security management, gave play to the responsibility of the second line of defense; Thirdly, it successfully completed business continuity risk rectification, improved business continuity rehearsal effects, and prevented important business operation interruption risks.

VI. Compliance Risk Management

Compliance risk refers to the risk of legal sanction or regulatory penalty, major property loss or reputation loss as a result of its non-compliance with the laws, rules and relevant industry codes.

In 2021, the Bank strengthened compliance risk management by closely adhering to its “14th Five-Year Plan” strategic development plan, and push forward to the implementation of its supervision system. Firstly, it continuously conducted and optimised system construction through pre-compliance review, system re-examination, system loophole ascertainment and ineffective system elimination in order to “manage increment, optimize inventory”. Secondly, it enhanced monitoring in key areas, enforced the responsibility for the implementation and inspection of supervisory system, deeply inspected the weaknesses in compliance management, and effectively improve the efficiency of compliance management.

VII. Legal Risk Management

Legal risk refers to the risk of incurring legal sanctions or other negative consequences that arises out of or in connection with the failure of the Bank to comply with requirements of relevant laws and regulations during the Bank’s operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations and other relevant rules; and other relevant legal events that occur internally and externally.

In 2021, the Bank continuously strengthened legal risk management, improved legal risk management level and control capability, implemented Civil Code and other new laws and regulations, continuously optimised agreement contents, and practically enhanced risk prevention and control in litigation cases.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. Implementation of the Basel Capital Accord

The Bank promoted the implementation of the New Basel Capital Accord in accordance with regulatory requirements. In 2021, the Bank continued to optimize the construction of a risk-weighted asset measurement system. Through new and optimised data interfaces of upstream system, the Bank improved the quality of basic data. In accordance with the organisation and arrangement of CBIRC, implemented the third round of quantitative measurement for the revision of the capital control regulations; formulated an annual risk preference statement and indicator system in accordance with Basel Capital Accord, built optimisation and upgrade project for non-retail internal rating, and cooperated with the completion of the annual FSAP stress test of the People's Bank of China.

IX. Money Laundering Risk Management

During the Reporting Period, the Bank strictly implemented regulatory requirements, seriously performed anti-money laundering basic obligation, increased resources investment, strengthened internal control and management, straightened working mechanism, further improved money laundering risk management system, and improved money laundering risk prevention level of the Bank.

Firstly, it optimised internal control system in accordance with latest regulatory requirements, detailed management requirements including customer due diligence, money laundering risk assessment and list monitoring; Secondly, it continuously optimised and upgraded relevant money laundering system to improve technology support of money laundering risk management; Thirdly, it conducted the inspection and assessment of all levels of coverage to improve the coverage and effectiveness of inspection and supervision management; Fourthly, it continuously improved the business quality of anti-money laundering employees and steadily push forward to the building of a professional workforce; Fifthly, it conducted diversified promotion to improve the anti-money laundering awareness of the public.

X. Reputation Risk Management

Reputation risk refers to the behavior of the Bank, the behavior of practitioners or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

During the Reporting Period, the Bank established a sound reputation risk management mechanism, actively prevented reputation risks, responded to negative public opinion events, and effectively maintained a good market image of the Bank, so as to achieve the overall goal of reputation risk management.

MANAGEMENT DISCUSSION AND ANALYSIS

XI. Country Risk Management

Country risk refers to the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay banking financial institution debt, losses suffered by banking financial institution or its commercial presence in such country or region and other losses due to economic, political, social changes and events in a country or a region.

During the Reporting Period, the Bank cross-border business strictly implemented anti-money laundering obligation, and carried out business monitoring in high-risk countries (regions) in accordance with the lists of high-risk countries (regions) and enhanced surveillance countries (regions) issued by international anti-money laundering organisations such as the Financial Action Task Force (FATF), the Asia Pacific Group on Money Laundering (APG) and the Eurasian Anti-money Laundering and Anti-terrorism Financing Group (EAG) and recognized by China and also issued by the relevant Chinese authorities, and strengthened due diligence and other control measures on business in high-risk countries (regions). The Bank implemented agent bank entry, monitoring and exit management mechanism among overseas banks, regularly assessed risks of agent banks and the countries (regions) where they located, and implemented dynamic adjustments.

INTERNAL AUDIT

The Bank has established an independent and vertical audit management system. The independent audit department was established under the Board of Directors. Under the leadership of the Party Committee and the Board of Directors of the Bank, under the guidance and supervision of the Board of Supervisors, the audit department is responsible for the overall management the whole bank's audit work, fully performed the audit supervisory function of the third risk defense, continually improved the Bank's business operation, risk management, internal control and compliance and corporate governance effects through audit, evaluation and supervision and rectification. The audit department regularly reports its work to the Party Committee and the Board of Directors and Board of Supervisors of the Bank, and submits major audit matters to the Bank's Party committee for pre-study and consideration before submitting to the Board of Directors for consideration.

During the Reporting Period, the audit department fully carried the work requirements of the superior management organisations, implemented the work arrangements of the Party committee, Board of Directors and Board of Supervisors, strengthened the leading function of Party Building, committed to management innovation and establishment of audit team, system and technology, enhanced project process management and control, and further improved audit efficiency and effect. The audit department insisted on the general idea of emphasis on the key points, development from point to area, risk unveiling and rectification enforcement by adhering to its audit objective of value addition, solidly carried out various audit projects, discovered some hidden risks and internal control weaknesses in a timely manner, facilitated various business systems, procedures and systematical function consummate, and played a constructive role in "curing and preventing".

MANAGEMENT DISCUSSION AND ANALYSIS

INTERNAL CONTROL

The Bank has established an internal control governance and organisation structure with reasonable division of labor, clear responsibilities and clear reporting relationships. Among them, the Board of Directors is responsible for the establishment and effective implementation of the internal control system. The Audit Committee and Related Party Transactions and Risk Management Committee under the Board of Directors are responsible for assisting the Board of Directors in fulfilling its supervision and management responsibilities. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management to improve the internal control system and perform their internal control duties. The senior management is responsible for implementing the decisions of the Board of Directors and guaranteeing the effective fulfillment of all responsibilities of internal control.

The Bank attaches great importance to the construction of internal control management and has formulated the Internal Control Guidelines of Guangzhou Rural Commercial Bank (《廣州農村商業銀行內部控制指引》) in accordance with the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and other laws and regulations, and in conjunction with the actual situation of the Bank, which regulate internal control responsibilities, internal control measures, internal control guarantees, internal control evaluation, internal control supervision, information and communication, and internal control of subsidiaries.

PRINCIPAL SUBSIDIARIES

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for performing social responsibility by the Bank, improving the level of financial services for Sannong and small and micro businesses, assisting rural revitalisation and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for rural banks and promoted their steady and high-quality development. As of the end of 2021, the Bank established 25 Zhujiang County Banks in 9 provinces and cities of China.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, and mainly engaged in financial leasing related business. In 2021, upon the approval of CBIRC Guangdong Bureau, the Company increased its registered capital from RMB1 billion to RMB1.5 billion through transferring the undistributed profit to increase registered capital by RMB500 million as at the end of December and completed industrial and commercial registration changes.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in December 2017, with registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2020, with a registered capital of RMB1,374 million.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARES CAPITAL

Unit: share, %

	31 December 2020		Change during the Reporting Period Amount of change	31 December 2021	
	Quantity	Proportion		Quantity	Proportion
Total share capital	9,808,268,539	100	1,643,000,000	11,451,268,539	100
Non-overseas listed shares	7,987,933,539	81.44	1,338,000,000	9,325,933,539	81.44
non-overseas listed non-state-owned legal person shareholdings	3,715,358,176	37.88	–	3,715,358,176	32.45
non-overseas listed state-owned legal person shareholdings	1,796,589,712	18.32	1,338,000,000	3,134,589,712	27.37
non-overseas listed natural person shareholdings	2,475,985,651	25.24	–	2,475,985,651	21.62
Overseas listed foreign shares	1,820,335,000	18.56	305,000,000	2,125,335,000	18.56

Notes:

- (1) As of the end of the Reporting Period, the total number of shareholders of the Bank's Non-overseas Listed Shares was 29,144, and all non-overseas listed shares of the Bank were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered shareholders of H Shares was 90 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of some shareholders).
- (2) The shares held by state-owned legal persons represent the Non-overseas Listed Shares of the Bank held by 16 state-owned legal person shareholders, including Guangzhou Metro Group Co., Ltd., Guangzhou CityRenewal Group Co., Ltd., etc.
- (3) As of the end of the Reporting Period, 44,434,152 Non-overseas Listed Shares of the Bank were involved in judicial freezing, representing 0.39% of the total share capital of the Bank, and 1,018,807,752 Non-overseas Listed Shares of the Bank were involved in pledge, representing 8.90% of the total share capital of the Bank.

II. ISSUE, PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the Reporting Period, the Bank completed the issuance of 1,643 million ordinary shares in total, including 305 million H shares and 1,338 million Non-overseas listed ordinary shares on 1 December 2021 and 21 December 2021, respectively. Upon completion of issuance of H Shares and the Domestic Shares, the registered capital of the Bank increased to RMB11,451,268,539, and the total number of shares of the Bank increased to 11,451,268,539. The net proceeds raised from the issuance, after deducting relevant issuance costs was RMB9,663 million, which was entirely used to replenish core tier 1 capital of the Bank.

During the Reporting Period, the Bank did not issue any convertible bonds.

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell and redeem any securities of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

III. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders

As of the end of the Reporting Period, the Bank had a total share capital of 11,451 million shares, comprising 9,326 million non-overseas listed shares and 2,125 million overseas listed shares. There were 716 legal person shareholders in possession of 6,850 million non-overseas listed shares, accounting for 59.82% of the total share capital. Among which, 16 were state-owned shareholders in possession of 3,135 million shares, accounting for 27.37% of the total share capital, while 28,428 were natural person shareholders in possession of 2,476 million non-overseas listed shares, accounting for 21.62% of the total share capital.

(II) Top Ten Shareholders as of the End of the Reporting Period

As at the end of the Reporting Period, the top ten shareholders of the Bank together held 47.33% of the Bank's total share capital, with no single holder of non-overseas listed shares having control of more than 5% of the total share capital except for Guangzhou Metro Group Co., Ltd. and Guangzhou CityRenewal Group Co., Ltd., marking a dispersed shareholding structure of the Bank. Guangzhou Metro Group Co., Ltd., the largest shareholder of non-overseas listed shares, held 6.31% of the total share capital. Guangzhou CityRenewal Group Co., Ltd., the second largest shareholder held, 5.82% of the total share capital, and Guangzhou Finance Holdings Group Co., Ltd., the third largest shareholder, held 3.20% of the total share capital. All of these top three shareholders of non-overseas listed shares are enterprises solely-owned by the state.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

The top ten shareholders are as follows:

No.	Name	Class of Shareholder	Nature of Shareholder	Number of Shares (Share)	Shareholding Proportion (%) ⁽²⁾
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	2,124,982,900	18.56
2	Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司)	Non-overseas listed shares	State-owned legal person	722,950,000	6.31
3	Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司)	Non-overseas listed shares	State-owned legal person	666,735,193	5.82
4	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	Non-overseas listed shares	State-owned legal person	366,099,589	3.20
5	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	Non-overseas listed shares	State-owned legal person	319,880,672	2.79
6	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	Non-overseas listed shares	State-owned legal person	310,728,411	2.71
7	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	Non-overseas listed shares	State-owned legal person	273,889,019	2.39
8	Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司)	Non-overseas listed shares	Non-state-owned legal person	250,000,000	2.18
9	Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Non-overseas listed shares	State-owned legal person	204,360,000	1.78
10	Nanjing Gaoke Co., Ltd. (南京高科股份有限公司)	Non-overseas listed shares	Non-state-owned legal person	180,000,000	1.57
Total				5,419,625,784	47.33

Notes:

- (1) HKSCC Nominees Limited, as a nominee, held 2,124,982,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.
- (2) Calculated on the basis of the total share capital of the Bank of 11,451,268,539 shares.

(III) Internal Staff Members' Shareholdings

As of the end of the Reporting Period, the Bank had a total of 5,690 internal staff member shareholders, holding 371 million shares, which accounted for 3.24% of the total share capital of the Bank.

(IV) Explanation on Absence of Controlling Shareholders and De Facto Controllers of the Company

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

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(V) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Regulations of Hong Kong

Based on the knowledge of the directors or chief executives of the Bank, as at 31 December 2021, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed or taken to have interests and short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO. The details are as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Municipal People's Government ⁽¹⁾	Interest of a controlled corporation	Non-overseas listed shares	Long	3,124,589,712	27.29%	33.50%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	2.58%	13.89%
Guangzhou HongHui Investment Co., Ltd ⁽²⁾	Beneficial owner	H Shares	Long	200,991,000	1.76%	9.46%
Zeng Weipeng ⁽²⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	1.00%	5.39%
Liu Feng ⁽³⁾	Interest of a controlled corporation	H Shares	Long	294,530,203	2.57%	13.86%
Good Prospect Corporation Limited ⁽³⁾	Beneficial owner	H Shares	Long	294,530,203	2.57%	13.86%
Deng Geng ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	294,554,000	2.57%	13.86%
East Lake Technology Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	294,554,000	2.57%	13.86%
Su Jiaohua ⁽⁵⁾	Interest of spouse	H Shares	Long	221,424,797	1.93%	10.42%
Lin Xiaohui ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	1.93%	10.42%
Manureen Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	221,424,797	1.93%	10.42%
Lead Straight Limited ⁽⁶⁾	Beneficial owner	H Shares	Long	195,229,000	1.70%	9.19%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Grandbuy International Trade (HK) Limited ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%
Guangzhou Business Investment Holding Group Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.70%	9.19%
Harvest Fund Management Co., Ltd. ⁽⁷⁾	Beneficial owner	H Shares	Long	187,000,000	1.63%	8.80%
China Credit Trust Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	187,000,000	1.63%	8.80%

Notes:

- (1) These 3,124,589,712 shares include 722,950,000 shares directly held by Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), 666,735,193 shares directly held by Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司), 366,099,589 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 319,880,672 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 310,728,411 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 273,889,019 shares directly held by Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), 204,360,000 directly held by Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司), 137,283,914 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 204,360,000 shares directly held by Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), 33,405,752 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,304,522 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,152,261 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,052,469 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 9,152,261 shares directly held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司), and 282,805 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

By virtue of the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Metro Group Co., Ltd. (廣州地鐵集團有限公司), Guangzhou CityRenewal Group Co., Ltd. (廣州城市更新集團有限公司), Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly controlled by Guangzhou Municipal People's Government, and in the shares held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

- (2) Guangzhou HongHe Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. is owned as to 63.33% by Guangzhou HongHe Investment Co., Ltd. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 shares by virtue of the SFO.
- (3) Liu Feng wholly owns Good Prospect Corporation Limited. Therefore, Liu Feng is deemed to be interested in the 294,530,203 shares by virtue of the SFO.
- (4) Deng Geng wholly owns East Lake Technology Limited. Therefore, Deng Geng is deemed to be interested in the 294,554,000 shares by virtue of the SFO.
- (5) Manureen Investment Limited is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 shares by virtue of the SFO.
- (6) Guangzhou Business Investment Holding Group Co., Ltd. wholly owns Grandbuy International Trade (HK) Limited, which in turn wholly owns Lead Straight Limited. Therefore, Guangzhou Business Investment Holding Group Co., Ltd. and Grandbuy International Trade (HK) Limited are deemed to be interested in the 195,229,000 shares by virtue of the SFO.
- (7) Harvest Fund Management Co., Ltd. is owned as to 40% by China Credit Trust Co., Ltd.. Therefore, China Credit Trust Co., Ltd. is deemed to be interested in the 187,000,000 shares by virtue of the SFO.

Save as disclosed above, the Bank was not aware of any other person (other than the directors, chief executives and supervisors of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2021 which should be recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VI) Major Shareholders under “Interim Measures for Equity Management of Commercial Banks” (《商業銀行股權管理暫行辦法》)

Pursuant to the requirements concerning major shareholders under “Interim Measures for Equity Management of Commercial Banks”, the major shareholders of the Bank as of the end of the Reporting Period were as follows:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
1	Guangzhou Metro Group Co., Ltd.	722,950,000	Interested in more than 5% of the Bank's shares	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Metro Group Co., Ltd.	24 related natural persons and 73 related legal persons
2	Guangzhou CityRenewal Group Co., Ltd.	666,735,193	Delegated supervisor Mr. Zhang Gang	No	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou CityRenewal Group Co., Ltd.	13 related natural persons and 172 related legal persons
3	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	273,889,019	Delegated director Ms. Feng Kaiyun	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Business Investment Holding Group Co., Ltd.	11 related natural persons and 92 related legal persons
4	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	160,020,000	Delegated director Mr. Zhang Junzhou	Yes	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Zhu Yihang (朱一航)	-	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	16 related natural persons and 840 related legal persons
5	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	10,000,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Zhicheng Weiye Investment Limited (廣東至誠偉業投資有限公司)	Zhu Yihang (朱一航)	-	Guangdong Yingxin Information Investment Co., Ltd.	16 related natural persons and 840 related legal persons
6	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	125,010,000	Delegated director Mr. Zhang Junzhou	No	Linzhi Depeng Investment Co., Ltd. (林芝德騰投資有限公司)	Zhu Weihang (朱偉航)	-	Fengchi Investment Co., Ltd.	16 related natural persons and 840 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
7	Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司)	121,010,000	Delegated supervisor Mr. Liang Bingtian	No	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou (廣州市天河區龍洞街龍洞股份合作經濟聯社)	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou	-	Longdong Economic Development Company, Tianhe District, Guangzhou City	5 related natural persons and 2 related legal persons
8	Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司)	104,000,000	Delegated supervisor Mr. Feng Jintang	No	Zhong Liuhan (鐘流漢)	Zhong Liuhan (鐘流漢)	-	Foshan Dongjian Group Co., Ltd.	8 related natural persons and 22 related legal persons
9	Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司)	100,010,000	Delegated director Mr. Feng Yaoliang	No	Feng Yaoliang (馮耀良)	Feng Yaoliang (馮耀良)	-	Guangzhou Huaxin Group Co., Ltd	5 related natural persons and 118 related legal persons
10	Aeon Life Insurance Company Ltd. (百年人壽保險股份有限公司)	65,000,000	Delegated director Mr. Zhuang Yuemin	No	-	-	-	Aeon Life Insurance Company Ltd.	34 related natural persons and 50 related legal persons
11	Guangzhou Dongsheng Investment Co., Ltd. (廣州市東升投資有限公司)	62,500,000	Delegated director Mr. Lai Zhiguang	No	Guangdong Dongsheng Industrial Group Co., Ltd. (廣東東升實業集團有限公司)	Lai Zhiguang (賴志光)	-	Guangzhou Dongsheng Investment Co., Ltd.	3 related natural persons and 18 related legal persons
12	Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司)	45,312,844	Delegated director Mr. Zuo Liang	No	Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Gongkong Capital Management Co., Ltd.	7 related natural persons and 167 related legal persons

Note: For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank regularly maintains and updates the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions for 2021 in this annual report. Due to limitations on space, it does not provide the list of related parties of major shareholders.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VII) Performance of Undertakings by Shareholders Holding 5% or More of Share Capital of the Bank

During the Reporting Period, the shareholders holding more than 5% of the Bank's issued shares were Guangzhou Metro Group Co., Ltd. and Guangzhou CityRenewal Group Co., Ltd., both of which have issued the "Substantial Shareholders Undertaking Letters" to the Bank and undertaken to perform their duties as shareholders in accordance with regulatory requirements.

(VIII) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon approval by Guangdong Bureau of China Banking and Insurance Regulatory Commission (Guangdong Bureau of CBIRC) (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued the Non-cumulative Perpetual Offshore Preference Shares in the amount of USD1,430 million on 20 June 2019. The Offshore Preference Shares (abbreviated as GRCB 19USDPRF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the Offshore Preference Shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional tier 1 capital of the Bank, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As of the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 31 December 2021):

Name of shareholder: The Bank of New York Depository(Nominees) Limited
Nature of shareholder: Foreign legal person
Class of shares: Offshore preference shares
Increase or decrease during the reporting period (share): 0
Shareholding ratio(%): 100
Total number of shares held: 71,500,000
Number of shares subject to selling restrictions (share): –
Number of shares pledged or frozen (share): Unknown

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the Offshore Preference Shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors.

3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the Offshore Preference Shares of USD93,744,444.44 was distributed by the Bank on 20 June 2021, of which USD84,370,000 was paid to the holders of Offshore Preference Shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

4. Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Financial Reporting Standards No. 9– Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing Offshore Preference Shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

IV. DIVIDENDS

The Board of Directors has proposed the payment of a cash dividend of RMB1.05 (tax inclusive) per 10 shares for 2021 to all shareholders in an aggregate amount of approximately RMB1.202 billion (tax inclusive). The payment of such dividend is subject to consideration at the 2021 Annual General Meeting, and, if approved, such dividend is expected to be paid on or before 24 July 2022 to our non-overseas listed shareholders and H shareholders. Such dividend will be denominated in Renminbi, and paid to the non-overseas listed shareholders and H shareholders in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend to be paid in Hong Kong dollars shall be the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2021 Annual General Meeting (inclusive) as announced by the PBOC. During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to waive any dividend arrangements. For details of the distribution of 2021 annual dividend of the Bank, please see the circular of 2021 Annual General Meeting of the Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. THE BASIC INFORMATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the basic information of the directors of the third session of the Board of Directors, supervisors of the third session of the Supervisory Committee and senior management of the Bank is as follows:

Name	Position	Gender	Year of Birth	Duration of Appointment ¹
Cai Jian	Secretary of the Party Committee, Chairman, executive director	Male	1973	2021.03–
Yi Xuefei	Deputy Secretary of the Party Committee, Vice Chairman and President, executive director	Male	1967	2021.02–
Zhang Jian	Deputy Secretary of the Party Committee, executive director	Male	1962	2021.02–
Feng Kaiyun	Non-executive director	Female	1963	2021.03–
Zuo Liang	Non-executive director	Male	1979	2021.03–
Zhang Junzhou	Non-executive director	Male	1962	2021.03–
Zhuang Yuemin	Non-executive director	Male	1971	2021.03–
Feng Yaoliang	Non-executive director	Male	1961	2021.03–
Lai Zhiguang	Non-executive director	Male	1985	2021.03–
Liao Wenyi	Independent non-executive director	Male	1962	2021.07–
Du Jinmin	Independent non-executive director	Male	1963	2021.03–
Tan Jinsong	Independent non-executive director	Male	1965	2021.03–
Zhang Hua	Independent non-executive director	Male	1965	2021.03–
Ma Hok Ming	Independent non-executive director	Male	1975	2021.07–
Wang Xigui	Chairman of the Board of Supervisors, Employee Supervisor	Female	1966	2021.02–
He Heng	Employee Supervisor	Female	1970	2021.02–
Lai Jiaxiong	Employee Supervisor	Male	1975	2021.02–
Zhan Liyuan	External Supervisor	Male	1967	2021.02–
Han Zhenping	External Supervisor	Male	1973	2021.02–
Shi Shuiping	External Supervisor	Male	1975	2021.02–
Liang Bingtian	Shareholders' Supervisor	Male	1973	2021.02–
Feng Jintang	Shareholders' Supervisor	Male	1961	2021.02–
Zhao Wei	Stationed Chief of the Discipline Inspection Team	Male	1964	2019.10–
Lin Ripeng	Vice President	Male	1970	2020.06–
Li Yaguang	Vice President	Male	1967	2021.09–
Guo Huahui ²	Vice President	Male	1971	2022.04–
Tan Bo	Assistant to the President, Secretary of the Board of Directors	Male	1974	2020.06–
Chen Linjun	Business director	Female	1972	2014.01–
Yang Xuan	Business director	Female	1976	2015.08–

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Note:

- (1) The first extraordinary general meeting of the Bank in 2021 was convened on 23 February 2021 to elect the directors of the third session of the Board of Directors and the shareholders' supervisors and external supervisors of the third session of the Supervisory Committee of the Bank, and the employee representative assembly was convened on 25 February 2021 to elect the employee supervisors of the third session of the Supervisory Committee of the Bank. The commencement date of the appointment of directors, supervisors is the approval date by the general meeting or employee representative assembly of the Bank (as the case may be) or the approval from the regulatory authority.
- (2) The appointment of Mr. Guo Huahui as the vice president of the Bank was considered and approved by the third session of the Board of Directors of the Bank on 30 December 2021 and his qualification for the position has been approved by the regulatory authority on 2 April 2022.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

On 23 February 2021, the Bank convened the 2021 first extraordinary general meeting. Mr. Cai Jian, Mr. Yi Xuefei, Mr. Zhang Jian, Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang, Mr. Lai Zhiguang, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming were appointed as Directors of the third session Board of Directors of the Bank. Mr. Yi Xuefei and Mr. Zhang Jian were re-elected for a term of office beginning on 23 February 2021. The remaining 13 new Directors have obtained the qualification as Directors. The term of office of Mr. Cai Jian, Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang, Mr. Lai Zhiguang, Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua is from 18 March 2021, and the term of office of Mr. Liao Wenyi and Mr. Ma Hok Ming is from 29 July 2021. In addition, Mr. Su Zhigang, Mr. Liu Guojie, Mr. Zhu Kelin, Mr. Liu Shaobo, Mr. Liu Heng, Mr. Zheng Jianbiao, Mr. Song Guanghui, the former members of the second session Board of Directors, retired on 18 March 2021. On 10 September 2021, Mr. Yuan Xiaoyi resigned as a non-executive director of the Bank, a member of the strategy and Investment Committee (Sannong Committee) and a member of the Related Transactions and Risk Management Committee due to work adjustment.

At the first EGM of the Bank held on 23 February 2021, Mr. Zhan Liyuan, Mr. Han Zhenping and Mr. Shi Shuiping were elected as external supervisors of the third session of the Board of Supervisors; Mr. Zhang Gang, Mr. Liang Bingtian and Mr. Feng Jintang were elected as shareholder supervisors of the third session of the Board of Supervisors. After elected by employee representative meeting, Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong were elected as employee supervisors of the third session of the Board of Supervisors. Meanwhile, Mr. Mao Yunshi, Mr. Chen Dan, Mr. Shao Baohua and Mr. Huang Yong ceased to serve as supervisors of the Bank after the first EGM in 2021 due to the expiration of their terms of office. In March 2022, Mr. Zhang Gang resigned from his position as shareholder supervisor and member of the Audit and Supervision Committee of the Bank due to other commitments of his employment unit.

In May 2021, the Board of Directors of the Bank appointed Mr. Tan Bo as the Secretary of the Board of Directors of the Bank, and his qualification was approved by the regulatory authority in July 2021. In May 2021, Ms. Zheng Ying ceased to serve as the Secretary to the Board of Directors of the Bank. In August 2021, the Board of Directors of the Bank appointed Mr. Li Yaguang as the vice president of the Bank, and his qualification was approved by the regulatory authority in September 2021. In December 2021, after consideration and approval by the Board of Directors, Mr. Guo Huahui was appointed as the vice president of the Bank and his qualification was approved by the regulatory authority in April 2022. In December 2021, vice president Chen Jianming reached the age of retirement, and his removal from office was approved by organization division of Guangzhou Municipal Committee on 17 December 2021.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

III. BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

Cai Jia (蔡建), male, born in April 1973, graduated from Sun Yat-sen University with a master's degree, major in management, and an MBA, and is a senior economist. Mr. Cai currently serves as the Secretary of the Party Committee and President at Guangzhou Rural Commercial Bank Co., Ltd.* Mr. Cai has served as a member and deputy section chief of Guangzhou Huangpu Sub-branch of Construction Bank of China (中國建設銀行廣州黃埔支行), deputy section chief and section chief of Guangzhou Economic Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州經濟開發區支行), assistant to the president of Guangzhou Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州開發區支行), vice president and member of the Party Committee of Guangzhou Haizhu Sub-branch of China Construction Bank (中國建設銀行廣州市海珠支行), department deputy general manager of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), senior deputy manager of the Strategic Assistance Project Office of Construction Bank of China (中國建設銀行戰略協助項目辦公室), deputy director of Financial Work Office of Guangzhou Municipal Government (廣州市政府金融服務辦公室), deputy director and member of the Party Leadership Group of the Financial Work Office of Guangzhou Municipal Government, the head of the discipline inspection team dispatched by the Guangzhou Municipal Commission for Discipline Inspection in the Financial Work Office of the Municipal Government, deputy director, head of the discipline inspection team and member of the Party Leadership Group of the Financial Work Office of the Municipal Government, the head of the discipline inspection team dispatched by Guangzhou Municipal Commission for Discipline Inspection in the Municipal Financial Work Bureau, Secretary of the Disciplinary Committee of the Bank of Guangzhou (廣州銀行), member of the Standing Committee of Huadu District Committee of Guangzhou, deputy secretary of the Party Leadership Group of Huadu District People's Government, deputy secretary of the Party Committee, vice chairman and president of Bank of Guangzhou.

Yi Xuefei (易雪飛), male, was born in November 1967. He graduated from Jiangxi University of Finance and Economics and obtained a master's degree in economics. He also obtained a master's degree in executive business administration from Sun Yat-sen University and is qualified as an economist. He now serves as Deputy Secretary of the Party Committee, Vice Chairman and President of Guangzhou Rural Commercial Bank. He once served as staff of Jiangxi Sanbo Electric Machinery Group, staff member of accounting division of Second Sub-branch of Guangzhou Branch of Construction Bank, staff member, principal staff member, deputy section chief, section chief, assistant to director, deputy director and deputy chief of Guangzhou Branch of Construction Bank, vice president of Foshan Branch of Construction Bank and concurrently president of Nanhai Sub-branch, deputy secretary of the Party Committee and vice president of Dongguan Branch of Construction Bank, deputy general manager (in charge of overall works) and general manager of financial planning department of Guangdong Branch of Construction Bank, director of assets and liabilities management department and director of restructuring office of Guangdong Branch of Construction Bank, secretary of the Party Committee and president of Shantou Branch of Construction Bank, member of the Party Committee and deputy director of Guangzhou Rural Credit Cooperative Union, member of the Party Committee and Vice President of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Zhang Jian (張健), male, was born in June 1962. He graduated from Jilin University, and obtained a master's degree in executive business administration from Sun Yat-sen University and the qualification of economist. He now serves as Deputy Secretary, Executive Director of the Party Committee of Guangzhou Rural Commercial Bank. He once served as a staff member and deputy section chief of Agricultural Bank of China, Taobei Sub-branch of Baicheng, Jilin Province; a staff member, deputy section chief and section chief of Comprehensive Planning division of Planning and Statistics Department of the Jilin Branch of Bank of China; deputy director of Capital Planning Division of the Jilin Branch of Bank of China; deputy general manager and general manager of office of the Bank of Guangzhou; assistant to the president, secretary to the board of directors, deputy secretary of the discipline inspection commission, vice president of the Bank of Guangzhou, and president of Zhujiang Sub-branch of the Bank of Guangzhou; and deputy secretary of the Party Committee and director of Guangzhou State-owned Capital Operation Holdings Co., Ltd. (廣州國資發展控股有限公司).

Mr. Liao Wenyi (廖文義), male, born in November 1962, Han nationality, member of the Communist Party of China, graduated from Southwest University of Finance and economics with a master's degree in economics. Mr. Liao is an associate professor. He is currently the independent director of Guilin Bank (桂林銀行), external director of Guangdong HengJian Investment Holding Co., Ltd., independent director of Guanhao Biotechnology Co., Ltd. (冠昊生物科技有限公司), independent director of Daye Trust Co., Ltd. He served as an assistant lecturer in the Department of finance of Hunan University of Finance and Economics (now renamed Hunan University), a lecturer, section chief and deputy director of the Department of finance, director of scientific research department and associate professor, a member of the the CPC Committee and vice president of Guangzhou Higher Academy of Finance (now renamed Guangdong University of Finance). He served as office director of the People's Bank of China Guangdong Branch (中國人民銀行廣東省分行辦公室主任). He served as member of the CPC Committee and office director of the business management department of People's Bank of China Guangzhou branch (中國人民銀行廣州分行). He served as deputy secretary of the Party Committee and vice president of Dong Guan central branch of People's Bank of China (中國人民銀行東莞市中心支行). He served as secretary of the Party Committee, president and director of SAFE branch of People's Bank of China Yangjiang central branch (中國人民銀行陽江市中心支行). He served as the head of Preparatory Work Team for Yangjiang Regulatory Branch of CBIRC (formerly known as the "CBRC"). He served as director of city bank supervision department of Guangdong banking regulatory branch. From December 2005 to March 2010, he served as CPC committee member and deputy director of Guangxi banking regulatory branch. He served as a bank officer, director, and vice president of Guangdong Nanyue Bank (廣東南粵銀行). He served as executive director of the Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數新金融研究院). He served as independent director of Guangdong Heshan rural Independent Commercial Bank Co., Ltd. (廣東鶴山農村商業銀行股份有限公司) and Guizhou Tianhong Mining Co., Ltd. (貴州天弘礦業股份有限公司), and consultant of Credit Life (Guangzhou) Intelligent Technology Co., Ltd. (信用生活(廣州)智能科技有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Du Jinmin (杜金岷), male, born in July 1963, Han nationality, member of the Communist Party of China, graduated from Nanjing Agricultural University with a doctoral degree. He is currently a professor (Grade II) of Jinan University and a doctoral supervisor, executive director of management committee of Jinan University Shenzhen Campus, director of research base of Guangzhou Nansha Pilot Free Trade Zone (Guangzhou key research base of Humanities and Social Sciences), and independent director of Gifore Agricultural Science & Technology Service Co., Ltd. and Shenzhen Langchi Xinchuang Science & Technology Co., Ltd. member of Guangdong Philosophy and Social Sciences expert base, vice president of Guangdong South China Economic Development Research Association, managing director of Guangdong Economic Society and an executive of Guangdong Finance Society, a member of the external expert database of Guangdong Provincial Development and Reform Commission, an anonymous reviewer of National Natural Science Foundation of China, National Social Science Fund Project and provincial fund projects, and an anonymous reviewer of several journals and academic journals. He served as teaching officer of monetary banking, School of Economics and Management, Nanjing Agricultural University, deputy director of the department of finance, and a supervisor of master's degree, the teaching officer of monetary banking, department of finance of economics school, deputy director and secretary of the general Party branch of the department of finance, deputy secretary and secretary of the Party Committee and vice president of the school of economics of Jinan University, an independent director of Guangzhou International Group Co., Ltd. (廣州國際集團有限公司), Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司), Guangzhou Construction Co., Ltd. (廣州建築股份有限公司), Jinfa Labi Maternity & Baby Articles Co., Ltd. (金髮拉比婦嬰童用品股份有限公司), Shenzhen Jianyi Decoration Group Co., Ltd. (深圳建藝裝飾集團股份有限公司), Jevoni Clothing Co., Ltd. (傑凡尼服裝股份有限公司), director of the Social Science Research Department of Jinan University, director of the development planning department of Jinan University.

Mr. Tan Jinsong (譚勁松), male, born in January 1965, is a member of the Communist Party of China, PhD, graduated from the Accounting Department of Renmin University of China. He is currently a professor of School of Management of Sun Yat-sen University, and is currently an independent director of Shanghai RAAS Blood Products Co., Ltd. (SZ) (上海萊士血液製品股份有限公司), COSCO Shipping Specialized Carriers Co., Ltd. (SH) (中遠海運特種運輸股份有限公司), Midea Real Estate Holding Limited (HK) (美的置業控股有限公司). He served as an independent director of Guangzhou Hengyun Enterprises Holdings Ltd. (廣州恒運企業集團股份有限公司), Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司), China Southern Airlines Co., Ltd. (SH) (中國南方航空股份有限公司) and Welling Holding Limited (威靈控股有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Hua (張華), male, born in March 1965, Han nationality, graduated from Jiangxi University of Finance and Economics with a master's degree in economics. Mr. Zhang is an economist. He is currently the general manager of Shanghai Erluo Investment Management Service Center (General Partnership), and concurrently serves as an independent director of Zhuhai Taichuanyun Community Technology Co., Ltd. (珠海太川雲社區技術股份公司), Guangdong Expressway Development Co., Ltd. (廣東高速公路發展股份有限公司), and Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司). He served as the deputy director of Guangdong branch of China Development Bank (國家開發銀行廣東省分行), an analyst of Guangdong Golden Finger Investment Consulting Co., Ltd. (廣東金手指投資顧問有限公司), director and deputy manager of investment banking department of Guangzhou Baoxin Holding Group Co., Ltd. (廣州市寶鑫控股集團有限公司), assistant to president of Junhua Group Co., Ltd. (君華集團有限公司), deputy general manager of Guangzhou Yingzhi Caihua Investment Co., Ltd. (廣州市英智財華投資有限公司), deputy general manager of Guangzhou Driver Investment Co., Ltd. (廣州德瑞投資有限責任公司), deputy general manager of Shenzhen Dongying Ruitong Investment Management Partnership (Limited Partnership), an independent director of Guangzhou KingTeller Technology Co., Ltd. (廣州御銀科技股份有限公司) and Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司).

Mr. Ma Hok Ming (馬學銘), male, Han nationality, born in June 1975, has a bachelor's degree in accounting from the Hong Kong Polytechnic University, a member of the Hong Kong Institute of Certified Public Accountants. He is currently the managing director and head of Investment Banking Division of ABCI Capital Limited (農銀國際融資有限公司), and concurrently a director of ABCI AM Acquisition Limited, executive director of Interra Acquisition Corporation. He served as an assistant senior auditor of Deloitte Touche Tohmatsu (德勤•關黃陳方會計師事務所), assistant manager of corporate finance department of South China Capital Limited (南華融資有限公司), assistant manager of investment banking department of Core Pacific – Yamaichi Capital Limited (京華山一融資有限公司), senior manager of corporate financing department of KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), chief financial officer of Sungreen International Holdings Limited (綠陽國際控股有限公司), assistant director of corporate financing department of the KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), audit manager of Deloitte & Touche LLP, senior vice president of investment banking department of ICEA Capital Limited (工銀東亞融資有限公司), an executive director of investment bank of ICBC International Capital Limited (工銀國際融資有限公司投資銀行), managing director and joint director of investment banking business of ABCI Capital Limited (農銀國際融資有限公司) assistant president of Zhuguang Holdings Group Company Limited (珠光控股集團有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Feng Kaiyun (馮凱雲), female, born in February 1963, Han nationality, member of the Communist Party of China, graduated from Jinan University, majoring in accounting, as a postgraduate with an MBA degree, a senior international finance manager and an economist. She currently serves as a member of the Party Committee and the deputy general manager of Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司) and concurrently an acting chairman of Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司) and a director of Guangzhou Rural Commercial Bank Co., Ltd. She served as a staff member of the economics section of the Foshan Municipal Government Office, the head of the credit division of Guangdong Branch of Bank of China (中國銀行廣州市分行), deputy manager of investment department of Guangxin Industry Development Co., Ltd. (廣新實業發展公司), assistant to the general manager and deputy general manager of Guangzhou Development Investment and Consultation Company (廣州發展投資諮詢公司), general manager of treasury department, general manager of finance department, chief financial officer, deputy chief executive officer and chief financial officer of Guangzhou Development Enterprises Holdings Group Co., Ltd. (廣州發展實業控股集團股份有限公司), deputy general manager of Guangzhou Development Group Co., Ltd. (廣州發展集團有限公司), concurrently director, deputy chief executive officer of Guangzhou Development Group Incorporated (廣州發展集團股份有限公司), chairman of Guangzhou Development Group Finance Co., Ltd. (廣州發展集團財務有限公司), a member of the Party Committee and deputy general manager of Guangzhou General Merchandise Group Co., Ltd. (廣州百貨企業集團有限公司).

Mr. Zuo Liang (左梁), male, born in October 1979, Han nationality, member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree in Business Administration and obtained the qualification of economist. He currently serves as the secretary of the Party Committee and chairman of Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), chairman of Guangzhou Huiyin Huiji Investment Fund Management Co., Ltd. (廣州滙垠滙吉投資基金管理有限公司), chairman of Guangzhou Wanbao Changrui Investment Co., Ltd. (廣州萬寶長睿投資有限公司), director of Guangzhou Tieke Intelligent Control Co., Ltd. (廣州鐵科智控有限公司), and director of Beijing Dinghan Technology Group Co., Ltd. (北京鼎漢技術集團股份有限公司) and China Auto Electronics Group Limited (天海汽車電子集團股份有限公司). He served as a staff of Shenzhen branch of Ming An Insurance Company (Hong Kong) Limited (香港民安保險公司深圳分公司), a staff member of the Guangzhou Finance Bureau, a staff member, senior staff member and deputy director of Guangzhou SASAC, the chief strategy officer of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang Junzhou (張軍洲), male, born in August 1962, Han nationality, member of the Communist Party of China. Mr. Zhang obtained a doctoral degree of Economics and is a senior economist. Mr. Zhang currently serves as the chairman of the board of Zhujiang Life Insurance Co., Ltd (珠江人壽保險股份有限公司). He served as assistant to the general manager, director and acting general manager of Hainan International Leasing Co., Ltd. (海南國際租賃有限公司), assistant to the general manager of the Trust and Investment Company of Agricultural Bank of China (中國農業銀行信託投資公司), deputy general manager of China Great Wall Trust and Investment Company(中國長城信託投資公司), deputy general manager of Laws and Regulations Department, general manager of Legal Affairs Department, general manager of Fund Custody Department and general manager of Custody Business Department of Agricultural Bank of China, deputy secretary (in charge of the work), secretary of the Party Committee, president of the Guangxi Branch of Agricultural Bank of China (中國農業銀行廣西區分行), secretary of the Party Committee and president of the Sichuan Branch of Agricultural Bank of China (中國農業銀行四川省分行), general manager of the Corporation and Investment Banking Business Department and Corporation Business Department of Agricultural Bank of China, president of Guangdong Zhujiang Financial Investment Co., Ltd. (廣東珠江金融投資有限公司) and the executive director and vice president of Guangdong Zhujiang Investment Co., Ltd. (廣東珠江投資股份有限公司).

Mr. Zhuang Yuemin (莊粵珉), male, born in November 1971, Han nationality, graduated from Wuhan University with a master's degree in economics, an intermediate economist. He currently serves as chairman of AEON Insurance Asset Management Co., Ltd (百年保險資產管理有限責任公司), and vice president of AEON Life Insurance Co., Ltd. (百年人壽保險股份有限公司) and non-executive director of Fosun International Limited (復星國際有限公司). He served as head of business unit of Shenzhen branch of China Securities Co., Ltd. (華夏證券股份有限公司), general manager of business unit of Weishen Securities Co., Ltd. (蔚深證券有限責任公司), deputy general manager of brokerage business management headquarter of China Southern Securities Co., Ltd. (南方證券有限公司), general manager of south china business headquarter of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), general manager of asset management headquarter of Huaxi Securities Co., Ltd. (華西證券有限責任公司), vice president of Goldstate Securities Co., Ltd. (金元證券股份有限公司), deputy general manager of Minsheng Tonghui Asset Management Co., Ltd. (民生通惠資產管理有限責任公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Feng Yaoliang (馮耀良), male, born in May 1961, Han nationality, from Shunde. Mr. Feng currently serves as chairman of Guangzhou Huaxin Enterprise Group Co., Ltd. (廣州華新企業集團有限公司), and chairman of Guangdong Cold Chain Association, chairman of Guangdong Federation of Social Organizations, vice chairman of Guangzhou Federation of Industry and Commerce, chairman of Guangzhou Logistics & Supply Chain Association, chairman of Guangzhou City Haizhu District Federation of Industry and Commerce, vice chairman of Guangzhou Private Enterprise Association, Director of Jiangmen Rural Commercial Bank Co., Ltd., supervisor of Guangdong-Hong Kong-Macao Greater Bay Area Industry Finance Investment Company Limited (粵港澳大灣區產融投資有限公司).

Mr. Lai Zhiguang (賴志光), male, born in July 1985, Han nationality. Mr. Lai is currently the president of Guangdong Dongsheng Industrial Group Co., Ltd. (廣東東升實業集團有限公司), president of Guangzhou Dongsheng Investment Co., Ltd. (廣州市東升投資有限公司), member of the All-China Youth Federation, member of the standing committee of Guangdong Youth Federation, executive member of Guangdong Federation of Industry & Commerce, vice president of China Sandstone Association, President of Guangdong Provincial Sandstone Association, and chief supervisor of Guangdong Ecological Restoration Association President, honorary president of Guangdong Federation of Young Entrepreneurs, executive president of Guangdong Young Entrepreneurs' Association.

Wang Xigui (王喜桂), female, born in August 1966. She graduated from Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) and obtained a bachelor's degree in economics and the qualification of accountant. She now serves as chairman of the Board of Supervisors and employee supervisor of the Board of Supervisors of Guangzhou Rural Commercial Bank. She once served as teacher of Hubei School of Finance of Zhongnan University of Finance and Economics, clerk of the finance division of the freight insurance department, vice section chief, section chief and assistant to chief director of the accounting division of the Guangzhou Branch of PICC, deputy general manager of the finance department, deputy general manager (responsible for the operations) and general manager of the information technology department/channel management department (now known as the information technology department/sales management department) of Guangzhou Branch of PICC Property and Casualty Company Limited, researcher of the accounting department and the general office of the Bureau of Finance of Guangzhou, and chairman of the board of supervisors of Guangzhou City Construction Investment Group and Guangzhou Water Investment Group assigned by Guangzhou SASAC.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

He Heng (賀珩), female, born in April 1970. She graduated from Hunan University (previously known as Hunan Finance and Economics School) and obtained a master's degree in economics and the qualification of economist. She now serves as employee supervisor, general manager of office of Board of Supervisors, and she is temporarily responsible for the work of Commission for Discipline Inspection (Inspection Office). She once served as deputy director of teaching and research section, Secretary of Youth League general branch of Xiangtan University, staff member and deputy principal staff member of operation supervision division of PBOC Guangzhou Branch, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department of PBOC Guangzhou Branch, principal staff member, assistant consultant and deputy chief of policy and regulation section, deputy chief and deputy chief (responsible for the overall works) of business innovation supervision and cooperation section of CBRC Guangdong Office, deputy general manager of risk management department and credit management department (secondment position) of Guangdong Branch of Industrial and Commercial Bank of China, assistant to president of Zhujiang Financial Leasing Co., Ltd., deputy general manager (in charge) and general manager of performance management department and chief senior manager of investment and institution management department of Guangzhou Rural Commercial Bank, general manager of rural financial restructuring office of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd..

Lai Jiexiong (賴嘉雄), male, born in October 1975, and has a bachelor's degree. He graduated from Guangdong College of Commerce and obtained a master's degree in laws. He now serves as employee supervisor and general manager of the Logistics Service Department of Guangzhou Rural Commercial Bank. He concurrently serves as an expert of the expert pool of Chinese Banking Association, executive director of the Civil and Commercial Law Research Society of Guangdong Law Society, president of the Company Law Research Society of Guangzhou Law Society and a member of the Master Research and Defense Committee of South China Agricultural University. He once served as clerk of the planning and credit department, section-level member of the loan approval committee and deputy general manager of the loan approval department of Guangzhou Rural Credit Cooperative Union, deputy director of Huangpu Credit Cooperative Union (黃埔信用社), deputy general manager of credit approval department of head office of Guangzhou Rural Commercial Bank, chairman of Huixian Zhujiang Rural Bank, chief senior manager of the rural banking division (institutional development department), chief senior manager of the risk management department, general manager of the credit management center and deputy general manager of the compliance and risk management department and deputy general manager of the compliance and legal affairs center of Guangzhou Rural Commercial Bank, employee supervisor and general manager of the Compliance, Legal Affairs Department (Anti-money Laundering Center, Consumer Rights Protection Center) and Compliance and Legal Department (Anti-money Laundering Center) of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhan Liyuan (詹禮願), male, born in July 1967. He was graduated from Wuhan University with a doctoral degree in International Law, and is a first-class lawyer. He is currently the external supervisor of Guangzhou Rural Commercial Bank. He is currently the director of Guangdong Bohou Law Firm (廣東博厚律師事務所), he is also the managing director of China Society of Private International Law, arbitrator of Shenzhen Court of International Arbitration, managing director of Guangzhou Real Estate Trade Association, managing director of Guangdong Province Law Society, vice president of International Law Research Association of Guangdong Law Society, legal adviser of People's Government of Guangdong province, part-time legal adviser of Guangzhou Municipal People's Government, and general legal adviser of Guangdong Overseas Chinese Business Association. He once served as Deputy Minister of Foreign Affairs of Guangzhou Law Firm (廣州市律師事務所), and deputy director and director of Guangdong Jinqiao Baixin Law Firm (廣東金橋百信律師事務所). He used to be a special lawyer of "Legal Advisory Group for Overseas Chinese Enterprises" of the Overseas Chinese Affairs Office of the State Council, an expert in legislative consultation and judicial supervision of the Standing Committee of Guangdong Provincial People's Congress, the head of the lawyer service group of overseas Chinese enterprises in Guangdong Province, managing director and vice president of Guangzhou Lawyers Association, managing chairman of Guangzhou Neutral Legal Service, head of Guangzhou Consumer Rights Protection Lawyers Group, and the first top ten outstanding young and middle-aged legal experts in Guangzhou..

Mr. Han Zhenping (韓振平), male, born in January 1973. He was graduated from Sun Yat-sen University with a master's degree in management. He is certified public accountant and asset appraiser. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a senior partner and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審眾環會計師事務所(特殊普通合夥)), an external director of Guangdong GW Holding Group Co., Ltd. (廣東省廣物控股集團有限公司), an external director of Guangzhou Public Transport Group Co., Ltd. (廣州市公共交通集團有限公司), an independent director of Guangzhou Pearl River Beer Co., Ltd. (廣州珠江啤酒股份有限公司), an independent director of China Southern Power Grid Co., Ltd. (南方電網綜合能源股份有限公司), and the vice president of Guangdong Bankruptcy Administrators Association. He once served as the financial manager of Heilongjiang Jiamusi Fumin Agricultural Production Material Co., Ltd. (黑龍江省佳木斯富民農業生產資料有限公司), the project manager of Beijing Tianhua Certified Public Accountants (北京天華會計師事務所), senior manager, deputy chief accountant and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審會計師事務所), a partner and director of Guangdong Branch of China Audit Asia Pacific Certified Public Accountants LLP (Limited Liability Partnership) (中審亞太會計師事務所(特殊普通合夥)), senior Partner and Director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審眾環會計師事務所(特殊普通合夥)), he also served as an independent director of Guangdong HuaSheng Electrical Appliances Co., Ltd. (廣東華聲電器股份有限公司), an independent director of Guangdong Jingyi Metal Co., Ltd. (廣東精藝金屬股份有限公司), an independent director of Guangdong Real-Design Intelligence Technology Co., Ltd. (廣東瑞德智能科技股份有限公司).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Shi Shuiping (石水平), male, born in May 1975. He graduated from Sun Yat-sen University with a doctoral degree in accounting, and is an international Certified Anti-Fraud Professional. He is currently the external supervisor of Guangzhou Rural Commercial Bank. He is currently an associate professor and master supervisor in the Department of Accounting, School of Management, Jinan University, a senior member of Accounting Society of China, a senior member of China Auditing Society, a director of Guangdong Auditing Society, and an expert member of Guangdong Enterprise Institute for Internal Controls. He is also an independent director of Guangzhou Zhujiang Development Group Co., Ltd. (廣州珠江發展集團股份有限公司), Yingfeng Environmental Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司), Guangdong Dinggu Jichuang Households Co., Ltd. (廣東頂固集創家居股份有限公司), independent director of Chongqing VDL Electronics Co., Ltd. (重慶市紫建電子有限公司), independent director of Guangdong Sihui Rural Commercial Bank Co., Ltd. (廣東四會農村商業銀行股份有限公司). He once served as a lecturer in the accounting department, Management School of Jinan University and has been an associate professor in the accounting department, Management School of Jinan University, and concurrently served as independent director of Guangdong Yuanshang Logistics Co., Ltd. (廣東原尚物流股份有限公司) and Shenzhen Xintian Technology Co., Ltd. (深圳市欣天科技股份有限公司).

Mr. Liang Bingtian (梁炳添), male, born in August 1973. He was graduated from China Central Radio and TV University with a bachelor degree in management. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, the deputy secretary of the Party branch and a director of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司). He served in Unit 53311 and 53320. He worked at Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司); he once served as a member of the Party branch of Guangzhou Longdong Longhui Industrial Co., Ltd.; the deputy secretary of the Party branch and a director of Guangzhou Longdong Longhui Industrial Co., Ltd.

Mr. Feng Jintang (馮錦棠), male, born in November 1961. He holds an MBA degree in MBA from the City University of Macau. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, the director and general manager of Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司). He is also a shareholder supervisor of Foshan Rural Commercial Bank (佛山農村商業銀行股份有限公司). He worked in Foshan Medical Device Factory (佛山市醫療器械廠), he once served as the plant director of Foshan Aesthetic Comprehensive Furniture Factory (佛山市審美綜合傢俱廠), the plant director of Foshan Dongjian Aesthetic Furniture Factory (佛山市東建審美傢俱廠), deputy section chief and section chief of Foshan Dongjian Co., Ltd. (佛山市東建集團公司), assistant to the general manager of Foshan Dongjian Group Company, deputy general manager of Foshan Dongjian Co., Ltd., director and deputy general manager of Foshan Dongjian Group Co., Ltd., director and executive deputy general manager of Foshan Dongjian Group Co., Ltd.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Zhao Wei (趙偉), male, born in September 1964. He graduated from Jinan University and obtained a master's degree in management and the qualification of intermediate accountant. He now serves as the Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank. He once served as a key officer and director of the quality office (at department level) of the finance department of Guizhou Rubber Parts Factory (貴州橡膠配件廠); key accountant and chief of finance department of Shunde Zhujiang Packaging Company in Guangdong Province (廣東省順德珠江包裝公司); cadre, principal staff member and deputy director (responsible of the operations) of the audit office of foreign capital administration in the Guangzhou Resident Office of the Audit Commission; deputy director (responsible of the operations) of the first division of the financial audit department in the Guangzhou Resident Office of the Audit Commission; director of Fixed Assets Investment Audit Office, director of Social Security Audit Office and director of Foreign Funds Utilization Audit Office; dispatched chairman of the board of supervisors of Guangzhou state-owned enterprises, namely Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司) and Guangzhou Public Transportation Group (廣州市公共交通集團有限公司); dispatched chairman of the board of supervisors of Guangzhou Flagship Development Group Co., Ltd. (a Guangzhou state-owned enterprise), and chairman of the board of supervisors and secretary of Commission for Discipline Inspection of Flagship Development Group.

Lin Ripeng (林日鵬), male, born in January 1970. He graduated from Guangdong Academy of Social Sciences, and obtained a master's degree in advanced business administration from the Management School of Sun Yat-sen University and the qualification of political engineer and human resources professional. He now serves as Vice President of Guangzhou Rural Commercial Bank. He once served as staff member of Shijing Credit Cooperative of Guangzhou Rural Credit Cooperative Union, assistant to section chief and deputy section chief of personnel and political engineering section of Guangzhou Baiyun Sub-branch of Agricultural Bank of China, deputy manager and manager of personnel department of Baiyun Credit Cooperative of Guangzhou Rural Credit Cooperative Union, deputy general manager and general manager of personnel and education department (human resources department) of Guangzhou Rural Credit Cooperative Union cum deputy secretary of commission for discipline inspection and director of supervision office of Guangzhou Rural Credit Cooperative Union, general manager of human resources department, office general manager and general manager of property management center of Guangzhou Rural Commercial Bank, president of Henan Xinyang Zhujiang Rural Bank, and chairman of board of supervisors of Bank of Guangzhou.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Li Yaguang (李亞光), male, born in November 1967, graduated from Sun Yat-sen University, and obtained a master's degree in science. He is a computer engineer and senior economist. He is currently the Vice President of Guangzhou Rural Commercial Bank. He once served as a technician of Nanjing Jinshan Electrical Corporation (南京金山電氣公司), deputy section chief, section chief, responsible person and deputy director of science and technology department of Guangzhou Urban Credit Cooperative Union (廣州城市信用合作社), section chief, deputy general manager of science and system management department, general manager of the card department, general manager of personal banking department, section chief of Development Zone Sub-branch and general manager of science and technology research and development department of Guangzhou Commercial Bank (廣州市商業銀行), Party Committee member, assistant to section chief and vice president of Guangzhou Bank.

Guo Huahui (郭華輝), male, born in March 1971, graduated from Sun Yat-sen University, and obtained a master's degree in accounting from Dongbei University of Finance and Economics, a senior economist. He now serves as the vice president of Guangzhou Rural Commercial Bank Co., Ltd.. He served as a staff of the International Business Department, a deputy section-level cadre, a chief officer of the International Business Department of ICBC Guangdong Branch, vice president of Huangpu Sub-branch of ICBC Guangzhou, vice president (presiding the overall work), secretary of the Party Committee and president of Huadu Sub-branch of ICBC Guangzhou, secretary of the Party Committee and president of Huangpu Sub-branch of ICBC Guangzhou, secretary of the Party Committee and president of Panyu Sub-branch of ICBC Guangzhou, and general manager of the corporate financial business department (key account center) and investment banking department of ICBC Guangdong Branch.

Tan Bo (譚波), male, born in May 1974. He graduated from Zhongnan University of Economics and Law, and obtained a doctoral degree in economics and the qualification of senior economist. He now serves as the assistant to the President and the secretary of the Board of Directors of Guangzhou Rural Commercial Bank. He once served as a staff member of financial institutions supervision department of PBOC Yangjiang City Branch; member of the Party Leadership Group and vice president of PBOC Yangdong County Branch; deputy director of preparatory division office, chief of supervisory section 1, deputy director of office, deputy director of the party committee office (in charge of overall works), director of office, director of the Party Committee Office and head (director) of personnel department (organization division) of Yangjiang sub-division of CBRC (陽江銀監分局); member of the Party committee and deputy head of Meizhou sub-division of CBRC (梅州銀監分局); member of the Party committee and secretary of Commission for Discipline Inspection of Zhaoqing sub-division of CBRC (肇慶銀監分局); member of the Party Committee and deputy head of Yangjiang sub-division of CBRC (陽江銀監分局); secretary of the Party committee and head of Yunfu sub-division of CBRC (雲浮銀監分局); leading post cadre of divisions, secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局) and secretary of the Party Committee and head of Jiangmen sub-division of CBRC (江門銀監分局).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Chen Linjun (陳林君), female, was born in November 1972. She graduated from the Open University of China (formerly China Central Radio and TV University) and obtained the qualification of assistant economist. She now serves as business director and general manager of FinTech department of Guangzhou Rural Commercial Bank. She once served as system administrator of computer management department and deputy section chief (responsible of the operations) of accounting department of Huangpu Sub-branch of Guangzhou Branch of China Construction Bank Corporation; assistant to general manager of business operations center of Guangdong Branch of China Construction Bank Corporation; assistant to general manager of personal banking department and general manager of e-banking center of Guangdong Branch of China Construction Bank Corporation; deputy general manager (responsible of the operations) of accounting management department of Guangzhou Rural Credit Cooperative Union; general manager of Operational Management Department of Guangzhou Rural Commercial Bank, general manager of E-banking Department and general manager of Operation management Department, person-in-charge of E-commerce and Process Bank Project Team, president of Retail Financial Business Group and general manager of Retail Financial Business Management Department of Guangzhou Rural Commercial Bank.

Yang Xuan (楊璇), female, was born in December 1976. She graduated from Shanghai University of Finance and Economics and obtained a master's degree in business administration, a master's degree in law in Jinan University and the qualification of economist. She now serves as business director and financial interbank department of Guangzhou Rural Commercial Bank. She once served as credit staff of credit planning department, deputy manager of legal office, deputy manager of asset security department and manager of marketing department of operation center of Guangzhou Tianhe Rural Credit Cooperative Union; deputy general manager of corporate business department and general manager of compliance and risk department of Guangzhou Rural Credit Cooperative Union; general manager of Corporate Financial Department, general manager of International Business Department of Guangzhou Rural Commercial Bank and general manager of Corporate Financial Department of the Bank, deputy general manager of Guangzhou Region Business Management Department, vice president and executive president of Corporate Financial Management Department and general manager of Guangzhou Region Business Management Department, president of Free Trade Zone Nansha Branch of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. and president of Sun Financial Business Department.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

IV. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN THE BANK

As of the Latest Practicable Date, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or 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 were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of Interest	Class of shares	Long/Short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interests in the Bank	Approximate percentage of the relevant class of shares of the Bank
Yi Xuefei	Director	Beneficial owner	Non-overseas listed shares	Long	500,000	0.004%	0.005%
Feng Yaoliang	Director	Interest of a controlled corporation ⁽¹⁾	Non-overseas listed shares	Long	100,010,000	0.873%	1.072%
Lai Zhiguang	Director	Interest of a controlled corporation ⁽²⁾	Non-overseas listed shares	Long	62,500,000	0.546%	0.670%
Liao Wenyi	Director	Beneficial owner	Non-overseas listed shares	Long	1,103,000	0.010%	0.012%
Lai Jiaxiong	Supervisor	Beneficial owner	Non-overseas listed shares	Long	452,224	0.004%	0.005%

Notes:

- (1) These shares were held by Guangzhou Huaxin Group Co., Ltd., which was owned as to 99.31% by Feng Yaoliang. Therefore, by virtue of the SFO, Feng Yaoliang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huaxin Group Co., Ltd..
- (2) These shares were held by Guangzhou Dongsheng Investment Co., Ltd., which was owned as to 100% by Guangdong Dongsheng Industrial Group Co., Ltd., and Lai Zhiguang owned 80% of the shares of Guangdong Dongsheng Industrial Group Co., Ltd.. Therefore, by virtue of the SFO, Lai Zhiguang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Dongsheng Investment Co., Ltd..

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors', chief executives' and supervisors' interests in the Bank's associated corporations					
Name	Capacity	Name of associated corporation	Nature of Interest	Number of shares held (Share)	Approximate percentage in the issued Shares in the associated corporation
Lai Zhiguang	Director	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Interest in a controlled corporation	10,000,000	10.0%

Save as disclosed above, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

V. REMUNERATION OF THE BANK'S SENIOR MANAGEMENT IN 2021

The remuneration of senior management by remuneration group for the year ended 31 December 2021 is as follows:

Remuneration range	Number of persons
RMB500,001 to RMB1,000,000	2
RMB1,000,001 to RMB1,500,000	4
RMB1,500,001 to RMB2,000,000	0
RMB2,000,001 to RMB2,500,000	2
RMB2,500,001 to RMB3,000,000	1

VI. EMPLOYEES

(I) The Basic Information of Employees

As of 31 December 2021, the total number of employees of the Group was 14,168, representing an increase of 227 employees or 2% as compared to the end of the last year. Of which, 13,571 employees entered into labor contracts with the Group, representing an increase of 101 employees as compared to the end of the last year; and 597 employees were dispatched workers, representing an increase of 126 employees as compared to the end of last year.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Training of Employees

The Bank has always attached importance to the improvement of employees' professional level and professional quality. In 2021, the Bank continued to improve the internal training system and strengthen the foundation of the training center. Focusing on the strategic development needs and key work requirements of the Bank, the Bank adhered to the learning concept of "Unity in Knowledge and Action", strengthened business-driven, highlight market-oriented functions, innovated online and offline learning methods, integrated internal and external resources, built a professional, practical and open learning platform for employees, systematically promoted the education and training of the Bank's employees, implemented key talent training projects at this stage, implemented precise training, and promoted the growth of both the organization and individuals. In 2021, the Bank organized and implemented more than 450 training programs, covering more than 60,000 employees at all levels of the Bank, while making full use of the advantages of the platform to build a modern live teaching training base, carrying out 198 live online training, with 66 hours of online learning per capita, and continuously improving the quality of the staff team.

(III) Remuneration management of Employees

During the Reporting Period, the Bank's remuneration policy remained basically stable. According to the requirements of corporate governance, the Bank established and improved the salary system and salary management mechanism. The Board of Directors of the Bank is ultimately responsible for the remuneration management. The Nomination and Remuneration Committee of the Board of Directors is responsible for consideration and approval the remuneration management system and policies of the entire Bank, formulating the remuneration scheme of Directors and senior managers, proposing the remuneration scheme to the Board of Directors and supervising the implementation of the scheme.

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks and the Measures for the Implementation of the Reform of Wage Determination Mechanism in State-owned Financial Enterprises, the Bank's total wages are mainly dynamic adjustment and reasonable adjustment, based on the linkage of factors such as serving the real economy, key areas of economic development, economic benefits, shareholder return and risk control, and combined with the Bank's development strategy, operating profit objectives, personnel size and labor productivity, labor input-output rate and non operational external factors. The Bank's payroll management implementation plan, payroll budget and final accounts shall be reported to the superior competent department as required.

The remuneration of the Bank's employees consists of fixed remuneration, variable remuneration and welfare income. Fixed salary includes basic salary and subsidies, variable salary includes performance salary and delayed payment of all kinds of performance salary, and welfare income includes social insurance premium, housing provident fund, etc.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Following the concept of "performance appraisal leading development" and based on the assessment idea of "undertaking strategy, benchmarking with peers, maintaining true colors and emphasizing core", the Bank established a performance appraisal system composed of indicators such as core development, business efficiency, compliance risk and business transformation, highlighted the responsibilities of risk management subjects and high-quality development requirements, and continued to improve the efficiency of resource allocation.

According to the relevant provisions of Supervisory Guidelines on Sound Compensation in Commercial Banks, the Bank has formulated the Measures for the Administration of Salary Deferred Payment of Guangzhou Rural Commercial Bank and the Measures for the Administration of Salary Recourse and Deduction of Guangzhou Rural Commercial Bank to implement deferred payment and salary recourse deduction for some of the salaries of personnel in relevant positions required by the regulations. The salary payment period shall be reasonably determined in accordance with the performance realization and risk changes of different business activities. In case of disciplinary action against violations or major risk events, put forward accountability and punishment plans and implement deferred payment and salary deduction.

The Bank's remuneration management policy is applicable to all employees who have established a labor contract relationship with the Bank, and there are no exceptions beyond the original remuneration scheme.

CORPORATE GOVERNANCE REPORT

II. CORPORATE GOVERNANCE OVERVIEW

The Bank continued to improve the standardization of corporate governance to ensure that it meets the corporate governance standards of listed companies. This aims to safeguard the interests of stakeholders and enhance corporate value.

The Bank had strictly complied with the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, and had also followed most of the recommended best practices contained therein. The Bank has also strictly complied with the relevant laws and regulations and the Hong Kong Listing Rules in respect of management of inside information. There was no significant difference between the corporate governance of the Bank and the Company Law as well as the relevant requirements of CSRC and the Hong Kong Stock Exchange.

The third session of the Board of Directors of the Bank was elected at the first extraordinary general meeting in 2021 held on 23 February 2021, with a total of 15 members. On the same day, Mr. Yi Xuefei and Mr. Zhang Jian were re-elected as executive directors of the Bank. On 18 March 2021, the qualifications of 11 Directors have been approved by the regulatory authority, including executive director Mr. Cai Jian, non-executive Directors Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang, independent non-executive Directors Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua. The third session of the Board of Directors performed its duties in March 2021, and the members of the second session of the Board of Directors have retired. At the time of the third session of the Board of Directors performed their duties, the qualifications of two independent non-executive directors, including Mr. Liao Wenyi and Mr. Ma Hok Ming, had yet to be approved by the regulatory authority. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved by the regulatory authority. Therefore, from 18 March to 28 July 2021, the number of independent non-executive Directors of the third session of the Board of Directors of the Bank was less than one third of the number of members of the Board of Directors, which did not comply with Rule 3.10A of the Listing Rules. From 29 July 2021 to the end of the Reporting Period, the number of independent non-executive Directors of the Bank has continuously met relevant regulations.

On 19 March 2021, the Nomination and Remuneration Committee was elected by the third session of the Board of Directors of the Bank. At that time, the qualification of independent non-executive Directors of Mr. Liao Wenyi and Mr. Ma Hok Ming had yet to be approved by the regulatory authority. The number of independent non-executive Directors in the Nomination and Remuneration Committee did not account for the majority, which did not comply with Rule 3.25 of the Listing Rules and code provision A.5.1 set out in the Corporate Governance Code (which has been renumbered as Rule 3.27A since 1 January 2022) of the Listing Rules. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved and they were elected as members of the Nomination and Remuneration Committee of the third session of the Board of Directors on 31 August 2021. From 31 August 2021 to the end of the Reporting Period, the membership structure of the Committee has continuously met relevant regulations.

Save as disclosed above, the Bank has complied with the code provisions set out in Appendix 14 of the Hong Kong Listing Rules.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the Corporate Governance Code and the rising expectations of shareholders and investors.

III. DUTIES OF GENERAL MEETING

The general meeting of shareholders is an organ of power in the Bank which performs the following functions and powers according to law in accordance with the Articles of Association: to decide the Bank's business policy and investment plans; to elect and replace directors and supervisors not served by employee representatives, and decide on matters related to the remuneration of directors and supervisors; to consider and approve the report of the Board of Directors; to consider and approve the report of the Board of Supervisors; to consider and approve the Bank's annual financial budget, final accounts, balance sheet, income statement and other financial statements; to consider and approve the Bank's plans for profit allocation and loss recovery; to adopt a resolution on increase or decrease in the Bank's registered capital; to adopt resolutions on the issuance of corporate bonds or other securities of the Bank and the listing thereof; to adopt resolutions on the merger, division, dissolution, liquidation or change of the form of the Bank; to amend the Articles of Association; to resolve the appointment, removal and non-reappointment of accounting firm of the Bank; to consider the issues of fixed asset investment, guarantees, investment, acquisition or disposal of assets, asset mortgage, entrusting other bodies to manage capital or other assets of the Bank as required by the laws, regulations, regulatory provisions, the Article of Association of the Bank and other internal regulations to be approved by a shareholders' general meeting; to consider any proposals submitted by any shareholders who individually or jointly hold 3% or more of the total voting rights shares of the Bank (including preferred shareholders with restored voting rights); to determine the issuance of preference shares; to determine or authorize the Board of Directors to determine the matters relating to the issuance of preference shares by the Bank; to consider other matters required by the laws, administrative laws and regulations, regulatory provisions or the Articles of Association of the Bank to be approved by a shareholders' general meeting.

IV. GENERAL MEETING

The Bank convened two general meetings during 2021. The details are as follows:

On 23 February 2021, the Bank convened the 2021 first EGM in Guangzhou, Guangdong province, with a total of 126 shareholders (including proxies) attending the meeting. During the Reporting Period, Mr. Yi Xuefei and Mr. Zhang Jian, executive Directors, Mr. Liu Heng, Mr. Song Guanghui and Mr. Zheng Jianbiao, independent non-executive Directors, and Mr. Zhu Kelin, non-executive Director, the six then Directors of the second session of the Board of Directors of the Bank attended the 2021 first EGM of the Bank on site. The resolutions considered and approved at the meeting are as follows:

Resolution on the Election of Directors of the Third Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on the Election of External Supervisors and Shareholder Supervisors of the Third Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd.

The convening of the general meeting was in compliance with the corresponding legal procedures. The notice, holding, convening and voting procedures of the meeting were in compliance with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For details of the resolutions considered, please refer to the announcement on poll results of the 2021 first extraordinary general meeting held on February 23, 2021 published by the Bank on the Hong Kong Stock Exchange and the website of the Bank. .

On 8 June 2021, the Bank convened the 2020 AGM, 2021 first domestic shareholders' class meeting and 2021 first H shareholders' class meeting in Guangzhou, Guangdong province, with a total of 129 shareholders (including proxies) attending the meetings. During the Reporting Period, Mr. Cai Jian, Mr. Yi Xuefei and Mr. Zhang Jian, executive Directors, Mr. Tan Jinsong and Mr. Zhang Hua, independent non-executive Directors, and Ms. Feng Kaiyun, non-executive Director, the six then Directors of the second session of the Board of Directors of the Bank attended the 2020 AGM, 2021 first domestic shareholders' class meeting and 2021 first H shareholders' class meeting on site. The resolutions considered and approved at the meeting are as follows:

Resolution on Consideration of the 2020 Work Report of the Second Session of the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the 2020 Work Report of the Second Session of the Board of Supervisors of Guangzhou Rural Commercial Bank Co., Ltd.

CORPORATE GOVERNANCE REPORT

Resolution on Consideration of the 2020 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the 2020 Financial Final Accounts Report of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the 2021 Financial Budget Report of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on consideration the 2020 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Engagement of the Accounting Firm to Undertake the Group's Audit Business in 2021 and the Bank's Interim Review Business in 2021

Resolution on Consideration of the 2020 Report on Financial Services for Agriculture, Rural Areas and Farmers of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Estimated Amount of Daily Related Party Transactions of Guangzhou Rural Commercial Bank in 2021

Resolution on Consideration of the General Mandate of Issuing Shares of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Additional Issuance of Domestic Shares by Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Issuance of Foreign Overseas Listed Shares (H Shares) by Non-public Issuance of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of Submitting to the General Meeting of Shareholders to Authorize the Board of Directors and its Authorized Persons to Deal with Matters Related to Additionally Issuing of Domestic Shares and Non-public Issuance of Foreign Shares (H Shares)

Resolution on the Changing the Registered Capital of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Amendments to the Articles of Association of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Amendments to the Rules of Procedure of the General Meeting of Shareholders of Guangzhou Rural Commercial Bank Co., Ltd.

Resolution on Consideration of the Amendments to the Rules of Procedure the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.

The convening of the general meeting was in compliance with the corresponding legal procedures. The notice, holding, convening and voting procedures of the meeting were in compliance with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For details of the resolutions considered, please refer to the announcement on poll results of the 2020 AGM, 2021 first domestic shareholders' class meeting and 2021 first H shareholders' class meeting held on June 8, 2021 published by the Bank on the Hong Kong Stock Exchange and the website of the Bank.

V. BOARD OF DIRECTORS

(I) Implementation of the Resolutions of the General Meetings by the Board of Directors

In 2021, the Board of Directors strictly implemented the resolutions passed at the 2021 Annual General Meeting and conscientiously implemented various proposals reviewed and passed at the general meetings.

(II) Board Composition

As of the practicable date of the Report, the Board of Directors comprised a total of 14 Directors, including three executive Directors, namely Mr. Cai Jian (Party Secretary and Chairman), Mr. Yi Xuefei (Deputy Party Secretary, Vice Chairman and President) and Mr. Zhang Jian (Deputy Party Secretary); six non-executive Directors, namely Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive Directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming.

Each term of office of a Director (including non-executive Directors) of the Bank is three years and he/she may serve consecutive terms if re-elected. Upon expiry of the office term of three years, an independent non-executive Director of the Bank shall be eligible for re-election and re-appointment as independent non-executive Director of the Bank. An independent non-executive Director shall serve in the Bank for no more than a cumulative period of six years.

The list of Directors (by category of Directors) of the Bank is disclosed in all corporate communications issued by the Bank in accordance with the Hong Kong Listing Rules.

(III) Diversification Policies of the Board of Directors

The Bank believes that a diversified Board of Directors will be beneficial to enhance the Bank's performance. The Bank considers the increasing diversification at the level of Board of Directors as a key factor in achieving sustainable development, supporting its achievement of strategic objectives and maintaining good corporate governance.

In setting the composition of the Board of Directors, the Bank will consider the diversification of members of the Board of Directors from various aspects, including but not limited to, gender, aspect and industry experience, skills, knowledge and educational background. All appointments to the Board of Directors shall follow the principle of meritocracy, taking into account objectively the benefits of diversification of members of the Board of Directors when considering the candidates.

The Nomination and Remuneration Committee will review the policy in due time to ensure its effectiveness in performance. The Nomination and Remuneration Committee will discuss any possible amendments needed, and offer the advice on amendments to the Board of Directors for its consideration and approval.

(IV) Changes of Board Members

For details of changes of the Directors, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this report.

(V) Chairman and President

The roles and duties of the Chairman and the President of the Bank are performed by different persons, and their respective duties are clearly defined and in compliance with the requirements of the Hong Kong Listing Rules. As of the Latest Practicable Date, Mr. Cai Jian was the Chairman of the Bank and exercised the duties of presiding over the general meetings and convening and chairing the Board meetings, supervising and checking the implementation of the Board resolutions. To assist the Board to discuss all important and relevant matters in a timely manner, the Chairman communicates fully with the senior management to ensure that the Directors receive appropriate, complete and accurate information in a timely manner for their consideration and decision making. Mr. Yi Xuefei, the President of the Bank, exercises the responsibilities of presiding over the management of the Company, executing the strategic plan of the Company and reporting to the Board of Directors.

CORPORATE GOVERNANCE REPORT

(VI) Operation of the Board of Directors

The Board of Directors convenes regular meetings, generally no fewer than four times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for board meetings is drafted upon regular consultation with each director. Regular meeting papers and relevant materials are usually circulated to all directors and supervisors at least 14 days in advance of board meetings. All directors keep contact with the office of Board of Directors, to ensure compliance with board procedures and all applicable rules.

Detailed minutes of meetings of the Board of Directors are maintained and are available to all Directors for their review and comments after the conclusion of such meeting. The finalized minutes of meetings of the Board of Directors will be sent to all directors as soon as possible. The minutes of meetings of the Board of Directors are kept according to the file management regulations of the Bank and are available for inspection by directors at any time.

A good communication and reporting mechanism has been established among the Board of Directors, directors and senior management of the Bank. The senior management and its members of the Bank report to and are supervised by the Board of Directors. Relevant members of senior management are invited to participate in meetings of the Board of Directors from time to time to provide explanations and answers to inquiries.

Directors can express their opinions freely at meetings of the Board of Directors, and major decisions are made after detailed discussions. A director shall abstain from discussion and voting at a meeting of the Board of Directors on any proposal in which he is materially interested, and shall not be counted in the quorum for such proposal.

The Board of Directors has set up an office as its working body, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of the special committees under the Board of Directors, information disclosure and other routine matters.

(VII) Duties of the Board of Directors

The Board of Directors is responsible for formulating the corporate governance system and monitoring the Group's business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group's governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Protection Committee. The details of the above committees are set out in this Report.

The Board of Directors is also responsible for performing corporate governance functions. During the year ended 31 December 2021, the Board of Directors has fulfilled its corporate governance functions as set out in Code A.2.1 of the Corporate Governance Code.

CORPORATE GOVERNANCE REPORT

According to the Articles of Association, the Board of Directors assumes the ultimate responsibility for the Bank's operations and management and exercises the following duties and powers according to law:

- To convene shareholders' general meetings and report its work to the shareholders' general meetings;
- To implement the resolutions of the shareholders' general meetings;
- To formulate the development strategy of the Bank and its specific development strategies in green credit, financial innovation and protection of consumers' interests, and supervise the implementation of the said strategies, and decide on the business plans and investment plans of the Bank;
- To prepare the annual financial budgets and final accounts of the Bank;
- To prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;
- To formulate the capital planning and take ultimate responsibility for capital management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing;
- To prepare plans for the Bank's material acquisitions, acquisitions of the Bank's shares, or merger, division, dissolution and alteration of corporate form of the Bank;
- To approve, other than daily operation of the Bank, the external investments, purchase or disposal of assets, pledge of assets, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank, except for material matters regulated in the Articles of Association of the Bank, which shall be decided by the shareholders' general meeting;
- To approve material related party transactions of the Bank, unless otherwise regulated in the Articles of Association of the Bank;
- To decide on the establishment of internal management structure of the Bank;
- As proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the chief officer and the secretary to the Board of Directors and their remuneration based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management and their remuneration based on the proposals of the President;
- To formulate the basic management system of the Bank;

CORPORATE GOVERNANCE REPORT

- To take the ultimate responsibility for specific risk management of the Bank such as the comprehensive risk management and compliant operation, liquidity risk management, reputation risk management and management of consolidated financial statements, and certain material responsibilities such as protection of consumers' interests;
- To develop risk management culture, formulate the comprehensive risk management policy of the Bank, formulate relevant risk management systems for risk tolerance, risk preference, internal control, reputation risk, financial innovation risk management and fraud risk management as the main contents of the risk management of the Bank;
- To prepare any amendment proposals to the Articles of Association;
- To be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank;
- To determine the job responsibilities for any manager, including the President, the Vice President, the chief officer, the assistant to president, the secretary to the Board of Directors and the business directors;
- To monitor and ensure the performance of senior management and ensure their effective performance;
- To receive the work report from the President and inspect the work of the President;
- The Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules and establish corresponding measures;
- The Board of Directors shall establish a reporting system and require the senior management to report to the Board of Directors and Directors the operation and management issues of the Bank, and the reporting system shall cover provisions for the matters below;
 1. the content of the information reported to the Board and Directors and the minimum reporting standards;
 2. the reporting frequency;
 3. the reporting method;
 4. the responsible body and liabilities arising from postponed or incomplete reporting;
 5. the confidentiality obligations.

CORPORATE GOVERNANCE REPORT

- To evaluate and refine the corporate governance of the Bank on a regular basis;
- To protect the legitimate interests of depositors and other interested parties;
- To establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; and
- To exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

(VIII) Board Meetings

During the Reporting Period, the third session of the Board of Directors of the Bank convened (including communication/written resolution meetings) in total of 18 meetings (including 12 on-site meetings and 6 communication/written resolution meetings), at which 83 proposals were considered and approved on the matters mainly including the 2020 Annual Report, the 2021 Interim Report and 25 reports were listened.

During the Reporting Period, the second session of the Board of Directors of the Banks convened (including communication/written resolution meetings) in total of 2 meetings, and both were communication/written resolution meetings, at which 2 proposals were considered and approved on the matters mainly including the granting of credit line to the Bank of Guangzhou and Guangdong Chimelong Group.

The list of directors participating in the meetings during 2021 is as follows:

Attendance/meetings convened	Director	Board Meetings ¹	Meetings of Strategy and Investment Committee (Sannong Committee) ¹	Meetings of Related Party Transactions and Risk Management Committee ¹	Meetings of Audit Committee ¹	Meetings of Consumer Rights Protection Committee ¹	Meetings of Nomination and Remuneration Committee ¹
Executive Director	Cai Jian	18/18	7/7	-	-	-	-
	Yi Xuefei ²	20/20	7/7	-	-	-	-
	Zhang Jian ³	20/20	7/7	3/12	-	1/3	-
Independent non- executive Directors	Liao Wenyi ⁴	11/18	-	-	0/3	2/3	4/4
	Du Jinmin ⁵	18/18	7/7	12/12	3/3	-	0/4
	Tan Jinsong	18/18	7/7	12/12	3/3	-	-
	Zhang Hua ⁶	18/18	-	3/12	3/3	2/3	4/4
	Ma Hok Ming ⁷	11/18	-	-	0/3	-	4/4
	Liu Shaobo ¹¹	2/2	-	2/2	-	-	-
	Liu Heng ¹¹	2/2	-	2/2	-	-	-
	Song Guanghui ¹¹	2/2	-	2/2	-	-	-
Zheng Jianbiao ¹¹	2/2	-	-	-	-	-	

CORPORATE GOVERNANCE REPORT

Attendance/meetings convened	Director	Board Meetings ¹	Meetings of Strategy and Investment Committee (Sannong Committee) ¹	Meetings of Related Party Transactions and Risk Management Committee ¹	Meetings of Audit Committee ¹	Meetings of Consumer Rights Protection Committee ¹	Meetings of Nomination and Remuneration Committee ¹
Non-executive Director	Yuan Xiaoyi ⁸	9/18	5/7	9/12	3/3	1/3	-
	Feng Kaiyun ⁹	18/18	7/7	-	0/3	-	-
	Zuo Liang ¹⁰	18/18	7/7	9/12	-	3/3	0/4
	Zhang Junzhou	18/18	7/7	-	-	3/3	-
	Zhuang Yuemin	18/18	7/7	12/12	3/3	-	-
	Feng Yaoliang	18/18	7/7	-	-	-	4/4
	Lai Zhiguang	18/18	-	-	-	3/3	4/4
	Su Zhigang ¹¹	2/2	-	-	-	-	-
	Liu Guojie ¹¹	2/2	-	2/2	-	-	-
	Zhu Kelin ¹¹	2/2	-	2/2	-	-	-

Notes:

- (1) Directors who did not attend in person but appointed other directors to attend the meetings on their behalf, and Directors who abstained from voting on related party transactions, were deemed to attend the meetings.
- (2) In February 2021, Mr. Yi Xuefei, the executive Director of the second session of the Board of Directors was re-elected and re-appointed as the executive Director of the third session of the Board of Directors. Therefore, he participated in 20 Board meetings during the Reporting Period.
- (3) In February 2021, Mr. Zhang Jian, the executive Director of the second session of the Board of Directors was re-elected and re-appointed as the executive Director of the third session of the Board of Directors. Therefore, he participated in 20 Board meetings during the Reporting Period. In August 2021, he became a member of the Related Party Transactions and Risk Management Committee of the third session of the Board of Directors, and ceased to be the chairman and member of Consumer Rights Protection Committee of the third session of the Board of Directors. Therefore, he participated in three meetings of Related Party Transactions and Risk Management Committee and one meeting of Consumer Rights Protection Committee during the Reporting Period.
- (4) In July 2021, the qualification of Mr. Liao Wenyi as the independent non-executive Director of the third session of the Board of Directors was approved by regulatory authority. Therefore, he participated in 11 Board meetings during the Reporting Period. In August 2021, he became the chairman of the Consumer Rights Protection Committee of the third session of the Board of Directors, member of the Nomination and Remuneration Committee and member of the Audit Committee. Therefore, he participated in two meetings of Consumer Rights Protection Committee during the Reporting Period, and no meetings of Audit Committee were convened from the date when he joined the committee to the end of Reporting Period.
- (5) In August 2021, Mr. Du Jinmin, the independent non-executive Director of the third session of the Board of Directors, ceased to be the chairman and member of the Nomination and Remuneration Committee of the third session of the Board of Directors. No meetings of Nomination and Remuneration Committee were convened from the date when he served as the chairman of the Nomination and Remuneration Committee of the third session of the Board of Directors to his resignation.
- (6) In August 2021, Mr. Zhang Hua, the independent non-executive Director of the third session of the Board of Directors, became a member of the Related Party Transactions and Risk Management Committee and a member of the Consumer Rights Protection Committee of the third session of the Board of Directors, and ceased to be the member of Audit Committee of the third session of the Board of Directors. Therefore, he participated in three meetings of Related Party Transactions and Risk Management Committee and two meetings of Consumer Rights Protection Committee during the Reporting Period.

CORPORATE GOVERNANCE REPORT

- (7) In July 2021, the qualification of Mr. Ma Hok Ming as the independent non-executive Director of the third session of the Board of Directors was approved by regulatory authority. Therefore, he participated in 11 Board meetings during the Reporting Period. In August 2021, he became a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the third session of the Board of Directors. No meetings of Audit Committee were convened from the date when he joined the committee to the end of Reporting Period.
- (8) In August 2021, Mr. Yuan Xiaoyi, the non-executive Director of the third session of the Board of Directors, ceased to be the member of the Audit Committee and member of the Consumer Rights Protection Committee of the third session of the Board of Directors. Therefore, he participated in one meeting of Consumer Rights Protection Committee during the Reporting Period. In September 2021, he resigned as the non-executive Director, member of the Strategy and Investment Committee (Sannong Committee) and member of the Related Party Transactions and Risk Management Committee of the third session of the Board of Directors. Therefore, he participated in nine Board meetings, five meetings of Strategy and Investment Committee (Sannong Committee) and nine meetings of Related Party Transactions and Risk Management Committee during the Reporting Period.
- (9) In August 2021, Ms. Feng Kaiyun, the non-executive Director of the third session of the Board of Directors, became a member of Audit Committee of the third session of the Board of Directors. No meetings of Audit Committee were convened from the date when she joined the committee to the end of Reporting Period.
- (10) In August 2021, Mr. Zuo Liang, the non-executive Director of the third session of the Board of Directors, ceased to be the member of the Related Party Transactions and Risk Management Committee and member of the Nomination and Remuneration Committee of the third session of the Board of Directors. Therefore, he participated in nine meetings of Related Party Transactions and Risk Management Committee during the Reporting Period. No meetings of Nomination and Remuneration Committee were convened from the date when he served as member of the Nomination and Remuneration Committee of the third session of the Board of Directors to his resignation.
- (11) In March 2021, members of the second session of the Board of Directors retired from the Board. Therefore, Mr. Liu Heng, Mr. Liu Shaobo, Mr. Song Guanghui, Mr. Zheng Jianbiao, the independent non-executive Directors, and Mr. Su Zhigang, Mr. Zhu Kelin, Mr. Liu Guojie, the non-executive Directors of the second session of the Board of Directors, participated in two Board meetings during the Reporting Period. In March 2021, members of special committees of the second session of the Board of Directors retired from the committees. Therefore, Mr. Liu Heng, Mr. Liu Shaobo, Mr. Song Guanghui, the independent non-executive Directors, and Mr. Liu Guojie, Mr. Zhu Kelin, the non-executive Directors, participated in two meetings of Related Party Transactions and Risk Management Committee during the Reporting Period.

CORPORATE GOVERNANCE REPORT

(IX) Continuous Professional Development Program for Directors

During the Reporting Period, the Strategy and Investment Committee (Sannong Committee) of the Board of Directors held seminars on the topics of agriculture, farmer and rural in Zengcheng District and Baiyun District of Guangzhou, in order to understand the economic development of the villagers in the recent years and future plans for the development of the village community, and conducted independent, objective and professional discussion on the implementation of the Rural Revitalization Strategy, the improvement of the rural financial services, the development agricultural enterprises and the channel of wealth appreciation of the villagers.

The Bank pays attention to the continuous training of the Directors to ensure that all Directors have a proper understanding of the Bank's operations and businesses and ensure that they understand their duties and responsibilities conferred by the relevant laws and regulations of the CBIRC, the CSRC, the Hong Kong Stock Exchange and the Articles of Association. During the Reporting Period, the members of the Board of Directors participated in the training on the "Study of Main Corporate Governance System Documents and Relevant Training Materials" (《公司治理主要制度文件及相關培訓材料學習》), "Interpretation of the 'Corporate Governance Guidelines of Banks and Insurance Institutions'" (《<銀行保險機構公司治理準則>學習解讀》), "Corporate Governance Special Training Course for Directors, Supervisors and Senior Management" (《董事監事高級管理人員公司治理專題培訓班》), "Interpretation of Recent Regulatory Developments in Hong Kong Capital Market and Cases on Continuing Obligations and Penalties for Breaches" (《香港資本市場近期監管動態及董事之持續責任及違規處罰案例解讀》) and "Corporate Governance Guidelines for the Board and Integrity Practical Guide for Directors" (《董事會及董事企業管治指引及董事誠實實務指南》), broadening the Board of Directors' visions of macro-level decision-making, enhanced their ability to comprehend major policies and consolidated the intellectual capital of the Board of Directors.

(X) Performance of Independent Non-executive Directors

During the Reporting Period, the Bank had 5 independent non-executive Directors. During the period from 18 March to 28 July 2021, the qualifications of independent non-executive Directors of Mr. Liao Wenyi and Mr. Ma Hok Ming have yet to be approved by the regulatory authority. Therefore, during the above period, the number of independent non-executive Directors of the third session Board of Directors of the Bank was less than one-third of the number of members of the Board of Directors, and temporarily failed to comply with Rule 3.10A of the Listing Rules. From 29 July 2021 to the end of the Reporting Period, the number and proportion of independent non-executive Directors of the Bank have continuously complied with the relevant provisions of the CBIRC and the Hong Kong Listing Rules. The Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Protection Committee of the Bank are all chaired by independent non-executive Directors. During the Reporting Period, the independent non-executive Directors actively participated in the Board meetings and meetings of the respective special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as participating in field trips, special investigations and attending training.

CORPORATE GOVERNANCE REPORT

The independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, senior management appointments, engagement of auditors, and major related party transactions. The independent non-executive Directors also considered that the related party transactions of the Bank, in particular the major related party transactions, were conducted in strict compliance with domestic and overseas laws and regulations, regulatory rules and the relevant system of the Bank and the relevant transactions were conducted in the usual business of the Bank on fair and reasonable terms in accordance with normal commercial terms or better terms, and are not prejudicial to the interests of the Bank and its shareholders. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management, which has provided a powerful guarantee for the scientific decision-making process of the Board of Directors.

(XI) Directors' duties in preparing financial statements

The Directors acknowledge that they are responsible for the preparation of the financial statements of the Bank for the year ended 31 December 2021.

The Directors are responsible for reviewing and confirming the financial statements for each accounting period so that the financial statements give a true and fair view of the financial position, operating results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2021, the Directors have selected and applied applicable accounting policies consistently and have made prudent and reasonable judgments.

(XII) Special committees of the Board of Directors

The Board of Directors established five special committees in accordance with relevant laws and regulations, the Articles of Association and the Listing Rules, namely, the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee.

During the Reporting Period, the special committees of the Board of Directors exercised their duties in an independent, regulated and effective manner in accordance with the law, which effectively enhanced the corporate governance of the Board of Directors, improved the working efficiency and ensured the stable and healthy development of various businesses of the Bank.

1. Strategy and Investment Committee (Sannong Committee)

As of the practicable date of the Report, the Strategy and Investment Committee (Sannong Committee) of the Bank consisted of 10 Directors. Its chairman was Mr. Cai Jian, executive Director. The members included executive Directors, Mr. Yi Xuefei, Mr. Zhang Jian, independent non-executive Directors, namely Mr. Tan Jinsong, Mr. Du Jinmin, non-executive Directors, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin and Mr. Feng Yaoliang.

CORPORATE GOVERNANCE REPORT

The key terms of reference of the Strategy and Investment Committee (Sannong Committee) during the Reporting Period included:

- Formulating the long-term development strategy and medium and long-term development objective of the Bank, and making recommendations to the Board of Directors;
- Formulating the development strategies of Sannong financial services, green credit and financial innovation, and promoting the establishment of the relevant work mechanisms;
- Making recommendations on the adjustments of strategies in response to the change in the operation environment, supervising and assessing the implementation of strategies and making relevant recommendations;
- Conducting research on and formulating relevant systems for external investment, making recommendations and plans for the major investment decisions of the Bank (including fixed asset investment and equity investment) and implementing group management on our subsidiaries;
- Conducting research on and formulating relevant system for external mergers and acquisitions, conducting research on the strategy for mergers and acquisitions and making recommendations on the implementation plan, including acquisition target, acquisition method, reorganization and consolidation;
- Conducting research and making plans on diversified operation and development models, conducting research on and formulating organization models and management methods of finance group companies;
- Conducting research on and implementing other major issues concerning the strategic development of the Bank.

In 2021, the Strategy and Investment Committee (Sannong Committee) held a total of seven meetings, at which it reviewed and approved 26 resolutions such as the 2020 Report on the Implementation of Strategic Implementation Plan of Guangzhou Rural Commercial Bank Co., Ltd., the 2020 Final Accounts of Guangzhou Rural Commercial Bank Co., Ltd. and the 2020 Profit Distribution Plan of Guangzhou Rural Commercial Bank Co., Ltd.. It also held two Sannong forums.

2. Related Party Transactions and Risk Management Committee

As of the practicable date of the Report, the Related Party Transactions and Risk Management Committee of the Bank consisted of five Directors. Its chairman was Mr. Du Jinmin, independent non-executive Director. The members included Mr. Zhang Jian, executive Director, Mr. Tan Jinsong and Mr. Zhang Hua, independent non-executive Directors, and Mr. Zhuang Yuemin, non-executive Directors.

The key terms of reference of the Related Party Transactions and Risk Management Committee during the Reporting Period included:

- Supervising senior management's risk control in terms of credit risk, market risk and operational risk, regularly assessing the Bank's risk and management status, risk tolerance and level and fraud prevention work, and advising on the improvement of risk management and internal control of the Bank;
- Making suggestions on improving the Bank's economic capital management and implementing the new capital agreement;
- Managing and examining related party transactions of the Bank in a timely manner and providing opinions thereon in order to control the risks arising from related party transactions.

In 2021, the Related Party Transactions and Risk Management Committee of the second session of the Board of Directors held two meetings, at which it reviewed and approved two resolutions such as the Granting of Credit Line to the Bank of Guangzhou and Guangdong Chimelong Group.

During 2021, the Related Party Transactions and Risk Management Committee of the third session of the Board of Directors held 12 meetings, at which it reviewed and approved 25 resolutions such as the 2020 Work Report and the 2021 Work Plan on Comprehensive Risk Management of Guangzhou Rural Commercial Bank Co., Ltd., the 2020 Work Report and the 2021 Work Plan on Compliance Risk Management of Guangzhou Rural Commercial Bank Co., Ltd., and one report was listened.

CORPORATE GOVERNANCE REPORT

3. *Nomination and Remuneration Committee*

As of the practicable date of the Report, the Nomination and Remuneration Committee of the Bank consisted of five Directors. Its chairman was Mr. Zhang Hua, independent non-executive Director. The members included Mr. Liao Wenyi and Mr. Ma Hok Ming, independent non-executive Directors, Mr. Feng Yaoliang and Mr. Lai Zhiguang, non-executive Directors.

The key terms of reference of the Nomination and Remuneration Committee during the Reporting Period included:

- setting up the selection procedures and criteria for directors and senior management, conducting preliminary review on the qualifications and credentials of candidates for directors and senior management and making recommendations to the Board of Directors;
- considering the compensation management system and policy of the Bank;
- dealing with other matters conferred by the laws, regulations, regulatory requirements and the Board of Directors.

During the Reporting Period, the Nomination and Remuneration Committee reviewed the selection and employment of Directors and senior management, commented on the annual performance of directors and senior management, made suggestions on the remuneration scheme of Directors and senior management, and guided the Bank to carry out training on the performance ability of Directors, supervisors and senior management through rich and diversified work form, to effectively improve the quality and efficiency of corporate governance.

During the Reporting Period, the Nomination and Remuneration Committee carried out the change of the session of the Board of Directors and the nomination of directors in accordance with laws and regulations, regulatory rules, the Articles of Association, the rules of procedure of the Nomination and Remuneration Committee, etc. Subject to the range of Board of Directors required by the Articles of Association, for non-independent Directors according to the number of persons to be elected, a list of nominated candidates for Directors can be drawn up by the Nomination and Remuneration committee of the Board of Directors. Shareholders individually or jointly holding 3% or more of the total issued shares with voting rights of the Bank (including holders of preference shares with restored voting rights) may also nominate candidates for Directors to the Board of Directors. For independent Directors, the Nomination and Remuneration Committee of the Board of Directors and Shareholders individually or jointly holding more than 1% of the total issued shares with voting rights of the Bank may nominate candidates for independent Directors. The Nomination and Remuneration Committee of the Board of Directors conducted a preliminary review on the qualifications and conditions of candidates for Directors in accordance with laws and regulations, regulatory rules and relevant systems of the Bank, focusing on the standards of professional knowledge, experience and ability and diversified board construction, and the election of qualified persons was submitted to the Board of Directors for consideration and approval. Candidates for Directors may perform their duties according to law after being considered and approved by the Board of Directors and the general meeting of shareholders and submitted to the regulatory authority for approval of their qualifications.

During 2021, the Nomination and Remuneration Committee held a total of four meetings, at which it reviewed and approved six resolutions such as the Implementation Plan for the Market-orientation Recruitment of Vice President of Guangzhou Rural Commercial Bank Co., Ltd., 2020 Annual Remuneration Settlement for Corporate Officers of the Bank, 2018-2020 Term of Office Incentive Settlement and Approval of 2022 Salary Pre-paid Standards.

4. Audit Committee

As of the practicable date of the Report, the Audit Committee of the Bank consisted of six Directors. Its chairman was Mr. Tan Jinsong, independent non-executive Director. The members included Mr. Liao Wenyi, Mr. Du Jinmin and Mr. Ma Hok Ming, independent non-executive Directors, Ms. Feng Kaiyun and Mr. Zhuang Yuemin, non-executive Directors.

The key terms of reference of the Audit Committee during the Reporting Period included:

- reviewing the accounting policies, financial position and financial reporting procedures of the Bank, and reviewing the risk and compliance conditions of the Bank;
- conducting the annual audit work of the Bank, preparing analytical report on the authenticity, completeness and accuracy of the information set out in audited financial reports and submitting the same to the Board of Directors for review and consideration.

In 2021, the Audit Committee held three meetings, at which it reviewed and approved nine resolutions such as the 2020 Annual Financial Statements of Guangzhou Rural Commercial Bank Co., Ltd., the 2021 Internal Audit Work Summary of Guangzhou Rural Commercial Bank Co., Ltd. and the 2020 Annual Report of Guangzhou Rural Commercial Bank Co., Ltd., and eight reports were listened.

5. Consumer Protection Committee

As of the practicable date of the Report, the Consumer Protection Committee of the Bank consisted of five Directors. Its chairman was Mr. Liao Wenyi, independent non-executive Director. The members included Mr. Zhang Hua, independent non-executive Director, Mr. Zuo Liang, Mr. Zhang Junzhou and Mr. Lai Zhiguang, non-executive Directors.

The duties of the Consumer Protection Committee included: formulating the strategies, policies and objectives of the Bank's protection of consumer rights and interests, assisting the Board of Directors to urge the senior management to effectively conduct and implement relevant work, and supervising and assessing the consumer protection work regarding its comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties.

In 2021, the Consumer Protection Committee held three meetings, at which it reviewed and approved five resolutions such as "2020 Work Report and 2021 Work Plan on Protection of Consumers' Interests of Guangzhou Rural Commercial Bank Co., Ltd. and Management Measures on the Regulation of Financial Marketing Promotion of Guangzhou Rural Commercial Bank Co., Ltd., and one report was listened.

CORPORATE GOVERNANCE REPORT

(XIII) The election process of Board members

According to the provisions of the Articles of Association, Directors shall be elected or replaced at a shareholders' general meeting. The term of office of the directors shall be 3 years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office. The term of office of a Director shall commence from the date on which directorship of the said Director was confirmed by the banking insurance regulatory authority of the PRC to the expiry of the current term of the Board of Directors. Before the expiry of the director's term of office, the shareholders' general meeting shall not dismiss any Director without any reason.

Where re-election is not carried out promptly after a Director's term of office expires, the Director shall continue to perform the duties owed by a director before a new Director is elected to take up the office, subject to the laws, regulations, regulatory requirements and the Articles of Association.

The president or other senior management personnel may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as senior management and employee representative Directors shall not exceed one half of the total number of Directors, and the number of the Directors in the Board of Directors who serve as senior management shall be no less than two.

The Board of Directors may comprise employee representative(s) of the Bank. Employee representatives who serve as Directors shall become members of the Board of Directors after elected by employee representatives at the staff representative assembly of the Bank, which shall be reported by the Board of Directors to the shareholders' general meeting.

The Board of Directors may duly increase the proportion of Directors and independent non-executive Directors with international exposure and management experience as well as professional knowledge in areas such as finance, accounting, risk management, financial management and financial technology.

After a Director is elected and his/her directorship is approved by the banking insurance regulatory authority of the PRC, the Bank shall enter into an employment contract with such Director in a timely manner, which shall specify, among others, rights and duties between the Bank and the Director, term of office of the Director, liability of the Director due to violation of laws, regulations and the Articles of Association of the Bank, and compensation on early termination of the said employment contract for any reason by the Bank, in compliance with the laws, regulations and provisions of the Articles of Association.

VI. BOARD OF SUPERVISORS

(I) Composition of Board of Supervisors

As of the practicable date of the Report, the Board of Supervisors of the Bank consists of eight Supervisors, comprising three employee Supervisors, namely Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong; three external Supervisors, namely Mr. Zhan Liyuan, Mr. Han Zhenping, and Mr. Shi Shuiping; and two shareholder Supervisors, namely Mr. Liang Bingtian and Mr. Feng Jintang.

(II) Duties of Board of Supervisors

According to the Articles of Association of the Bank, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law:

- To supervise the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank;
- To make periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and form the assessment reports;
- To conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions and antimoney laundering and to report the same to the general meetings in accordance with the requirements, to consider relevant audit reports in accordance with the requirements, and to provide guidance with respect to the work of internal audit department of the Bank;
- To inspect and supervise the business decision, risk management and internal control of the Bank and supervise rectifications;
- To examine and supervise the Bank's financial affairs and the management of consolidated financial statements;
- To examine the regular reports of the Bank compiled by the Board of Directors and submit its opinion of examination in writing;

CORPORATE GOVERNANCE REPORT

- To review the financial reports, operation reports, profit distribution plans and other financial information to be submitted by the Board of Directors to the general meetings; if any queries arise, to engage, in the name of the Bank, certified accountants and practicing auditors for assistance in the review;
- To supervise on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management officers, and to propose the remuneration (allowance) arrangement of Supervisors;
- To conduct investigation if any abnormality is found in the operations of the Bank; and when necessary, to engage professional organizations such as accounting firms and law firms for assistance in its work at the expense of the Bank;
- To supervise the selection and appointment of directors;
- To make comprehensive assessment and conduct inquiries to the directors, Supervisors and senior management on their performance of duties, to report the assessment results of the performance of duties to the general meetings, and to file the same to regulatory authorities;
- To organize audits on economic responsibilities of the directors and senior management upon resignation;
- To require corrections by directors and senior management where the behaviors of such directors and senior management harm the Bank's interests;
- To supervise the performance of duties of the directors and senior management, and to propose dismissal of directors and senior management who violate the laws, rules, Articles of Association of the Bank or resolutions of the general meetings;
- To represent the Bank to negotiate with the directors and senior management, or to bring the lawsuits against the directors and senior management according to the Company Law;
- To submit proposals to the general meetings;
- To propose the convening of extraordinary general meetings, to convene and preside over the general meetings when the Board of Directors fails to perform its responsibility of convening and presiding over the general meeting as required by the Company Law;
- To communicate with the banking regulatory authorities of the State Council regularly in relation to the condition of the Bank;
- To exercise other duties and powers which should be exercised by the Board of Supervisors as provided by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

CORPORATE GOVERNANCE REPORT

(iii) Meetings of Board of Supervisors

During the Reporting Period, the Board of Supervisors convened a total of seven meetings, at which 32 resolutions were considered and approved, including 2020 annual work report of the second session of the Board of Supervisors, 2020 annual report of the Bank, 2020 profit distribution plan, 2020 Performance Assessment Report of Supervisors, 2020 Performance Assessment Report of the Board and its members, 2020 Performance Assessment Report of senior management and its members, 2020 Internal Control Assessment Report, and election of the chairman of the third session of the Board of Supervisors and the members of the specialized committees of the Board of Supervisors.

The following table set out the attendance of Supervisors in 2021 at the meetings of the Board of Supervisors and the special committees thereof:

Supervisors	Board of Supervisors	Nomination Committee	Audit and Supervision Committee
Wang Xigui	7/7	3/3	–
He Heng	7/7	3/3	–
Lai Jiexiong	7/7	3/3	3/3
Zhan Liyuan	7/7	3/3	–
Han Zhenping	6/7	–	3/3
Shi Shuiping	7/7	–	3/3
Zhang Gang ¹	7/7	–	3/3
Liang Bingtian	7/7	3/3	–
Feng Jintang	7/7	–	3/3
Mao Yunshi ²	0	0	–
Chen Dan ²	0	–	0
Shao Baohua ²	0	0	–
Huang Yong ¹	0	–	0

Note:

1. In March 2022, Mr. Zhang Gang resigned from his position as shareholder Supervisor and member of the Audit and Supervision Committee of the Bank due to other commitments of his employment unit.
2. The second session Board of Supervisors retired naturally in February 2021. During the period from 1 January 2021 to 23 February 2021, the Bank did not hold meetings of the Board of Supervisors and its special committees. Therefore, Mr. Mao Yunshi, Mr. Chen Dan, Mr. Shao Baohua and Mr. Huang Yong, members of the second session of the Board of Supervisors, did not attend the meetings of the Board of Supervisors and its special committees during the Reporting Period.

CORPORATE GOVERNANCE REPORT

(IV) Special Committees of the Board of Supervisors

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consist of five Supervisors, whereas the Audit and Supervision Committee consist of five Supervisors, and the chairmen are all served by external Supervisors.

1. *Nomination Committee*

During the Reporting Period, the Nomination Committee of the Bank consisted of five Supervisors. The chairman was Mr. Zhan Liyuan and the members included Ms. Wang Xigui, Mr. Liang Bingtian, Ms. He Heng and Mr. Lai Jiexiong.

The key terms of reference of the Nomination Committee during the Reporting Period included:

- Studying the selection and appointment criteria and procedures for Supervisors;
- Conducting preliminary review on the qualifications of supervisor candidates;
- Advising the Board of Supervisors on the number and composition of the Board of Supervisors;
- Conducting comprehensive evaluation of the performance of directors, Supervisors and senior management and reporting to the Board of Supervisors;
- Conducting extensive search for qualified candidates of Supervisors;
- Performing other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee held three meetings, at which seven resolutions were considered and approved, including the 2020 Work Report of the Nomination Committee of the Second Session of the Board of Supervisors, the 2020 Performance Assessment Report of Supervisors, the 2020 Performance Assessment Report of Board and its members, and the 2020 Performance Assessment Report of Senior Management and its members.

2. *Audit and Supervision Committee*

During the Reporting Period, the Audit and Supervision Committee of the Bank consisted of five Supervisors. The chairman was Mr. Han Zhenping and the members included Mr. Shi Shuiping, Mr. Zhang Gang, Mr. Feng Jintang and Mr. Lai Jiexiong.

The key terms of reference of the Audit and Supervision Committee during the Reporting Period included:

- Supervising the performance of duties of the Board of Directors and its members and senior management;
- Conducting off-office audit for directors and senior management of the Bank if necessary;

CORPORATE GOVERNANCE REPORT

- Formulating supervision programs for financial activities of the Bank and conducting related inspections;
- Supervising, examining or reviewing business decisions, risk management, internal control and fraud prevention of the Bank, as well as providing guidance for the internal audit department of the Bank;
- Conducting supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic planning, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, reputation risk management, compliance management, fraud prevention, Sannong financial services, related party transactions, information disclosure, data governance, protection of consumers' interests and anti-money laundering and reporting the same to the general meetings in accordance with the requirements, considering relevant audit reports in accordance with the requirements, and providing guidance for the internal audit department of the Bank;
- Supervising the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank;
- Making periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and forming the assessment reports;
- Performing other duties authorized by the Board of Supervisors.

During the Reporting Period, the Audit and Supervision Committee held three meetings, at which three resolutions were considered and approved, including the 2020 Work Report of the Audit and Supervision Committee of the Second Session of the Board of Supervisors and 2020 Strategical Assessment Report.

(V) Continuous Professional Development Program for Board of Supervisors

The Bank pays attention to the continuous training of the Supervisors. Through study, exchange and research, the Board of Supervisors strengthened the ability to perform duties. During the Reporting Period, the Board of Supervisors organized field research in various places where it gained in-depth insights into the pioneer supervisory experience of the board of Supervisors of other banks, organized special training courses on corporate governance for members of the Board of Supervisors to participate in and carried out various training programs, such as interpretation of the Guidelines on the Corporate Governance of Banks and Insurance Institutions (Provisional), the duties and powers of the Board of Supervisors of commercial banks and the analysis of the key points of the Year of Internal Control and Compliance Management, strengthening the study of regulatory policies, laws and regulations and the work practices of the Board of Supervisors, and enhancing the overall performing duties ability of the Supervisors.

CORPORATE GOVERNANCE REPORT

(VI) Work of External Supervisors

During the Reporting Period, the external Supervisors of the Bank performed their supervisory duties in strict accordance with relevant laws, regulations, the Bank's Articles of Association and relevant requirements for the performance of duties of Supervisors. They performed their duties diligently by taking part in the meetings of the Board of Supervisors on time, carefully studying and reviewing every proposals, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, and expressing their opinions independently and impartially. Also, they devoted sufficient time and effort to participate in relevant supervision and inspections, investigation and research and training, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards.

VII. SENIOR MANAGEMENT

As of 31 December 2021, there were 7 senior management personnel of the Bank: Mr. Yi Xuefei (Deputy Secretary of the Party Committee, vice chairman and president); Mr. Zhao Wei (head of Discipline Inspection and Supervision Team of Guangzhou Municipal Commission for Discipline Inspection and Supervision in Guangzhou Rural Commercial Bank); two vice presidents, namely Mr. Lin Ripeng and Mr. Li Yaguang; one assistant to the president and Secretary of the Board of Directors, namely Mr. Tan Bo; 2 business Directors, namely Ms. Chen Linjun and Ms. Yang Xuan.

Mr. Guo Huahui was appointed as the vice president of the Bank, which was considered and approved by the Board of Directors on 30 December 2021, and his qualification was approved by the regulatory authority on April 2022.

VIII. COMPANY SECRETARIES

Ms. Zheng Ying and Mr. Ngai Wai Fung served as the joint company secretaries of the Bank. Ms. Zheng Ying is the main internal contact person of the Bank. All directors has access to the Company secretary for discussion, seeking advice and obtaining information. Ms. Zheng Ying and Mr. Ngai Wai Fung confirmed that they have received not less than 15 hours of relevant professional training during the Reporting Period.

IX. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and relevant employees, the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries, all Directors and Supervisors confirmed that they have complied with the Model Code during the year ended 31 December 2021.

X. RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

XI. AMENDMENT TO ARTICLES OF ASSOCIATION

The Bank amended its Articles of Association during the Reporting Period. Pursuant to the resolutions passed at the 2020 Annual General Meeting and the 2021 Class Meeting, the Board was authorised to amend the Articles of Association in relation to the registered capital, shareholding structure and other corresponding provisions after the completion of the Bank's non-public issuance of H shares and domestic shares, and to apply to the registration authority and other relevant government authorities for alteration, approval and filing.

As of the practicable date of the Report, the Bank has completed the non-public issuance of H Shares and domestic shares, and has completed the relevant procedures for the approval, registration and filing of such changes with the registration authority and other relevant government authorities. The registered capital of the Bank increased from RMB9,808,268,539.00 to RMB11,451,268,539.00, and the total number of issued shares increased from 9,808,268,539 to 11,451,268,539. Therefore, the corresponding provisions on registered capital and shareholding structure in the Articles of Association of the Bank have been revised and come into force; other proposed amendments to the Articles of Association have not yet taken effect until the approval from the China Banking and Insurance Regulatory Commission is obtained.

XII. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

As considered and approved by the 2020 Annual General Meeting of the Bank, the Bank reappointed PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers as the Bank's domestic and overseas auditors. During the Reporting Period, the Bank paid a total of RMB6.55 million to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers for the review of semi-annual financial statements and the audit of annual financial statements.

In 2021, the Group engaged PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the auditor to audit the financial statements for 2021 (Chinese accounting standards), and engaged PricewaterhouseCoopers as the auditor to review the interim financial statements for 2021 (International Financial Reporting Standards) and audit the financial statements for 2021 (International Financial Reporting Standards).

XIII. RISK MANAGEMENT, INTERNAL CONTROL AND INSIDE INFORMATION MANAGEMENT

For the Group's risk management and internal controls, please refer to section headed "Management Discussion and Analysis".

During the Reporting Period, in line with regulatory requirements and the actual situation of the Bank, the Bank established the daily working mechanism of inside information, strengthened the Bank's confidential information management and registration management of inside information through various means, established a record system at all levels of the Bank, and strengthened the management of inside information.

CORPORATE GOVERNANCE REPORT

XIV. SHAREHOLDER'S RIGHTS

(1) Convening Extraordinary General Meetings

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

If the Board of Directors is unable or fails to perform its duties of convening the shareholders' general meeting, the Board of Supervisors shall convene the meeting in due course; if the Board of Supervisors does not convene the meeting, the shareholders who individually or jointly hold more than 10% of the Bank's shares for more than 90 consecutive days may convene such meetings on their own initiative. The Board of Directors shall provide a written response as to whether or not it agrees to convene the extraordinary general meeting within ten days upon receipt of the proposal in accordance with the requirements of the laws, regulations, regulatory requirements and the Articles of Association of the Bank;

If the Board of Directors agrees to convene the extraordinary general meeting, a notice convening such meeting shall be issued within five days after the resolution of the Board of Directors is passed. If the Board of Directors does not agree to convene the extraordinary general meeting, it shall provide reasons;

In case the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or does not give any response within 10 days upon receipt of the request, the shareholders who individually or jointly hold more than 10% of the voting shares at such proposed meeting shall have the right to propose to the Board of Supervisors for the convening of the extraordinary general meeting or class meeting, and shall make such request to the Board of Supervisors in the form of writing;

If the Board of Supervisors agrees to convene the extraordinary general meeting or class meeting, a notice convening the general meeting or class meeting shall be issued within five days upon receipt of the request. Changes made to the original request in the notice shall be approved by relevant shareholders; and

If the Board of Supervisors fails to give the notice of a general meeting or class meeting within the specified time limit, it shall be deemed to have failed to convene and preside over the meeting, in which case, the shareholders who individually or jointly hold more than 10% of the Bank's shares (such shares shall have voting rights at such proposed meeting) for more than 90 consecutive days may convene and preside over the meeting by themselves.

(2) Proposals to Shareholders' General Meetings

When the Bank convenes shareholders' general meetings, the Board of Directors, the Board of Supervisors and the shareholders who individually or jointly hold more than 3% of the total number of the Bank's shares carrying the right to vote shall be entitled to submit their proposals in writing to the Bank. The Bank shall include matters in the proposal which are within the scope of responsibilities of the shareholders' general meeting into the agenda.

Shareholders who individually or jointly hold more than 3% of the total number of the Bank's shares carrying the right to vote shall be entitled to submit temporary proposal 10 days prior to the convening of the shareholders' general meeting, and such proposal shall be made to the convener in writing. The convener shall, within 2 days upon receipt of the proposal, issue a supplementary notice of the shareholders' general meeting, and announce the contents of the temporary proposal. If otherwise specified in the listing rules of the stock exchange where the securities of the Bank are listed, such requirements shall be fulfilled at the same time.

(3) Enquires from Shareholders

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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong
Tel: +85228628555
Fax: +85228650990

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

the Bank's Board of Directors' Office
No. 1 Huaxia Road, Tianhe District, Guangzhou, PRC
Tel.: (8620)28019324
Fax: (8620)22389227

(4) Management of Investor Relations

Shareholders and investors may send enquiries to the Board to:

the Bank's Board of Directors' Office
No. 1 Huaxia Road, Tianhe District, Guangzhou, PRC
Tel.: (8620)28019324
Fax: (8620)22389227
Email: ir@grcbank.com

CORPORATE GOVERNANCE REPORT

(5) Information Disclosure

The Bank attaches importance to communication with shareholders, and seeks to improve understanding and communication among shareholders through various channels including general meetings, receiving guests and telephone consultation.

XV. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN HONG KONG LISTING RULES

The third session of the Board of Directors of the Bank was elected at the first extraordinary general meeting in 2021 held on 23 February 2021, with a total of 15 members. On the same day, Mr. Yi Xuefei and Mr. Zhang Jian were re-elected as executive directors of the Bank. On 18 March 2021, the qualifications of 11 Directors have been approved by the regulatory authority, including executive director Mr. Cai Jian, nonexecutive Directors Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang, independent non-executive Directors Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua. The third session of the Board of Directors performed its duties in March 2021, and the members of the second session of the Board of Directors have retired. At the time of the third session of the Board of Directors performed their duties, the qualifications of two independent non-executive directors, including Mr. Liao Wenyi and Mr. Ma Hok Ming, had yet to be approved by the regulatory authority. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved by the regulatory authority. Therefore, from 18 March to 28 July 2021, the number of independent non-executive Directors of the third session of the Board of Directors of the Bank was less than one third of the number of members of the Board of Directors, which did not comply with Rule 3.10A of the Listing Rules. From 29 July 2021 to the end of the Reporting Period, the number of independent non-executive Directors of the Bank has continuously met relevant regulations.

On 19 March 2021, the Nomination and Remuneration Committee was elected by the third session of the Board of Directors of the Bank. At that time, the qualification of independent non-executive Directors of Mr. Liao Wenyi and Mr. Ma Hok Ming had yet to be approved by the regulatory authority. The number of independent non-executive Directors in the Nomination and Remuneration Committee did not account for the majority, which did not comply with Rule 3.25 of the Listing Rules and code provision A.5.1 set out in the Corporate Governance Code (which has been renumbered as Rule 3.27A since 1 January 2022) of the Listing Rules. On 29 July 2021, the qualifications of the above two independent non-executive Directors were approved and they were elected as members of the Nomination and Remuneration Committee of the third session of the Board of Directors on 31 August 2021. From 31 August 2021 to the end of the Reporting Period, the membership structure of the Committee has continuously met relevant regulations.

Save as disclosed above, the Bank has been in compliance with the requirements of the code provisions set out in Appendix 14 to the Hong Kong Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

I. PERFORMANCE OF THE BOARD OF DIRECTORS

In 2021, the main work of the Board of Directors is as follows:

(1) Steadily promote capital replenishment

The Bank continued to explore a variety of capital supplement channels. Under the guidance of external regulatory policies and internal strategies, the Board of Directors actively explored diversified ways to supplement capital from the outside source. We formulated the external capital replenishment plan for the "14th Five-Year Plan", completed the capital increase and share expansion of 1.643 billion shares in 2021, raised nearly RMB10 billion and built a stable capital base for the Bank.

(2) Stable operation of corporate governance mechanism

The organic improvement of stable governance system has been promoted by the integration of Party building. We firmly grasped the main line of upholding the leadership by the Party and strengthening the construction of the Party. Adhering to the two "consistent principles" requirements of General Secretary Xi on the Party building of state-owned enterprises, we have continuously deepened the unity of the Party's leadership and improved corporate governance, firmly regarded the Party Committee as an important part of the governance structure, firmly promoted the Party building into the Articles of Association, and effectively implemented the decision-making procedure of preliminary discussion by the Party Committee on major decision-making issues. Since the beginning of the year, all topics considered by the Board of Directors have been preliminary discussed by the Party Committee. The Party's strong leadership over state-owned enterprises has become a major advantage of the Bank's corporate governance.

The ability of the Board of Directors to perform its duties has been continuously enhanced. We have successfully completed the election at expiry of office terms of the Board of Directors and continued to consolidate the foundation of corporate governance. Adhering to improving and strengthening the Bank-wide supervision system, we have constantly strengthened the internal control management responsibilities of the Board of Directors and its special committees, made full use of the key responsibilities of the Board of Directors and its special committees in the fields of strategic management, capital management, risk management and internal control management, effectively promoted the strategic development of the Bank and continued to ensure the overall control of the Board of Directors over the work of the Bank. We promoted the senior management to take necessary measures to implement the decisions of the Board of Directors, and promoted the effective performance of various responsibilities of internal control in accordance with the laws.

REPORT OF THE BOARD OF DIRECTORS

Internal and external linkage has promoted the continuous deepening of the concept of comprehensive governance. The operation of top-level governance mechanism has become more and more stable, the decision-making and implementation feedback mechanism between the Board of Directors and each governance unit has been deepened. We created a good decision-making environment for the top-level design of the Bank's reform and development, and continuously optimized the systematic and dynamic monitoring of the Board of Directors on the operation and management activities of the senior management. We effectively strengthened the consolidation management of the Group, and continuously controlled the blind spots and interruptions. We actively strengthened governance coordination with external supervisors and regulators, deepened governance interaction with regulators, and continuously promoted the construction of long-term corporate governance mechanism of the Bank.

(3) Shareholder equity management has gradually achieved results

The quality and efficiency of shareholder equity management have been continuously improved. Adhering to the same resonance with the regulatory requirements, we have carried out equity management related work, strengthened the qualification examination of shareholders, standardized equity transfer, strengthened equity pledge management, established equity monitoring mechanism, and continuously improved the equity management ability of shareholders in strict accordance with the Interim Measures for Equity Management of Commercial Banks, the CBIRC Releases the Implementation Rules on the Administrative Licensing of Rural Small and Medium-sized Banking Institutions and other relevant laws and regulations.

(4) Information disclosure management has been improved in both quality and efficiency

We standardized the performance of information disclosure obligations. The Bank issued relevant announcements in strict accordance with regulatory requirements. In 2021, The Bank issued a number of announcements, including 2020 annual results announcement, 2020 annual report, 2020 corporate social responsibility report, 2021 interim report, etc., and continued to use online and offline channels, especially WeChat official platform, to carry out information publicity and strive to improve the effectiveness of information disclosure. We have paid close attention to the performance of the capital market, continued to effectively conduct market information feedback and investor protection, timely announced the concerns of stakeholders, and continuously enhanced information transparency.

We strengthened the management of information disclosure and performance of duties. In strict accordance with the latest regulatory requirements at home and abroad, we have formulated and improved the information disclosure system and further standardized the daily management of information disclosure. We have continuously strengthened the management of inside information, implemented the regulations on inside information management in strict accordance with the regulatory requirements, and strengthened the daily risk warning of insiders, and continued to ensure the compliance of inside information management according to laws.

II. BUSINESS REVIEW

(1) Business Review

The Group is primarily engaged in PRC banking and related financial services, primarily including corporate banking, retail banking and financial market businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance, including the key risks and uncertainties faced by the Group and the possible future development plan of the Group's business, are set out in the sections headed "Management Discussion and Analysis" and "Directors, Supervisors and Senior Management" in this annual report. Such discussions form an integral part of this Report of the Board of Directors.

(2) Employment Relationship

As of 31 December 2021, the total number of employees of the Group was 14,168, representing an increase of 227 employees or 2% as compared to the end of the last year. Of which, 13,571 employees entered into labor contracts with the Group, representing an increase of 101 employees as compared to the end of the last year; and 597 employees were dispatched workers, representing an increase of 126 employees as compared to the end of last year.

(3) Relationship with Customers and Suppliers

The Bank actively promotes the financial services of deposit customers, loan customers and interbank customers, and strives for customers' understanding, trust and support. The Bank insists on the market principle for all customers who apply for loans, especially related customers, and avoids special credit aid priority.

The Bank adheres to the principles of openness, fairness and impartiality, employs suppliers in the form of tenders, negotiations and price quotations, and maintains good communication and cooperation with various suppliers.

REPORT OF THE BOARD OF DIRECTORS

(4) The Environmental Policy and Performance of the Bank

The Bank strictly practises the concept of green development and supports environmental protection and green development from both its own and investment and financing perspectives, actively contributing to the "30.60" double carbon goal.

The Bank has integrated the concept of green finance into all aspects of the Bank's corporate vision, development strategy, credit culture, policy system, management process and product services, etc.. In the overall orientation of its annual basic credit policy, the Bank emphasizes the promotion of green credit from a strategic perspective, accelerates the construction of a green financial service system, formulates segmented credit policies for green industries, strategic emerging industries, and the new energy automobile industry, and increases support for the green economy. The Bank has formulated segmented credit policies for green industries, strategic emerging industries and new energy automobile industry, increased support for green economy, low carbon economy and circular economy, and continued to promote the establishment and improvement of green financial management system and long-term mechanism. The Bank insists on the organic unity of economic, social and ecological benefits and continuously promotes the "green adjustment" of financing structure.

The Bank strictly abides by the laws and regulations related to environmental protection, formulates energy-saving and emission-reducing systems and measures, strengthens daily lighting management, encourages employees to turn off lights with their hands, and eliminates long-lasting lights; arranges for special personnel to inspect the use of electrical appliances and turn off unused electrical equipment in a timely manner; implements unified management of official vehicles to improve the efficiency of vehicle use; uses induction water-saving taps and regularly maintains and manages water-using equipment; promotes a paperless office and encourages employees to use double-sided printing; integrates green awareness into all aspects of renovation and data center construction; post energy and water conservation slogans in office areas to raise employees' awareness of energy conservation and emission reduction. The Bank encourages its employees to eat and drink in a civilized manner, be conscious of saving, carry out CD-ROM actions to practice a green and healthy lifestyle, save energy and protect the environment in the office and daily life, and promote the positive energy of frugality and anti-lavishness.

(5) Details of Major Events Affecting the Company that Occurred after the Review of the Financial Year

The Bank conducted a comprehensive review of 2021 financial performance in compliance with national laws and regulatory requirements and prepared the 2021 annual report. After the end of the annual financial review, the Bank did not have any events or cases that had a significant impact on the Bank.

REPORT OF THE BOARD OF DIRECTORS

(6) Permitted Indemnity Provision

According to code provision C.1.8, the Bank shall maintain appropriate insurance to cover the potential legal litigations initiated against directors of the Bank. In order to comply with such code provision, the Bank has purchased appropriate liability insurance for directors to provide indemnity for their liabilities incurred during the operations of the Bank for the year ended 31 December 2021.

No permitted indemnity provision previously or currently in effect benefitted the directors of the Bank (whether entered into by the Bank or by others) or the directors of the Bank's associates (if entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors.

(7) Equity-linked Agreement

Except as disclosed in the section headed "Issuance of Offshore Preference Shares through a Private Offering", the Bank did not enter into or subsist any equity-linked agreement as at the end of the Reporting Period.

III. PROFITS AND DIVIDENDS

(1) Dividends

The revenue for the year ended 31 December 2021 and the financial condition of the Bank as at that date are set out in the "consolidated financial statements" in this annual report.

Pursuant to the resolution passed at the 2020 Annual General Meeting held on 8 June 2021, the Bank paid a dividend of RMB0.20 (tax inclusive) per share for 2020 to all shareholders in an aggregate amount of approximately RMB1.962 billion (tax inclusive). Such dividend was paid to the Shareholders whose names appeared on the register of members after the closing of market on 17 June 2021. Such dividends were denominated in Renminbi and paid to holders of non-overseas listed shares and holders of H shares in Renminbi and Hong Kong dollars, respectively. The exchange rate for dividend paid in Hong Kong dollars was the average middle rate of Renminbi against Hong Kong dollars for the five business days preceding the date of declaration of such dividend at the 2020 Annual General Meeting (i.e. 8 June 2021, inclusive) as announced by the PBOC (i.e. HK\$1.00 to RMB0.82368), and the final dividend per H Share was HK\$0.24281 (tax included). Such dividend was paid on 8 July 2021.

REPORT OF THE BOARD OF DIRECTORS

The Bank has not proposed any resolutions to convert the capital reserve to increase the share capital in the past three years. The cash dividend distribution for ordinary shareholders of the Bank for the past three years is as follows:

Item	2020	2019	2018
Distribution amount per share (tax inclusive, RMB)	0.2	0.2	0.2
Cash dividend (tax inclusive, RMB100 million)	19.62	19.62	19.62
Percentage of net profit attributable to the Bank (%)	38.61	25.91	30.06

(2) Tax on Dividends

According to the applicable provisions of the “Enterprise Income Tax Law of the People’s Republic of China” and the “Individual Income Tax Law of the People’s Republic of China” and its implementation rules, for the non-overseas listed shares and the holding of the Bank’s shares via Hong Kong Stock Connect, the Bank shall withhold and pay the individual income tax at the rate of 20% according to the national tax law for the dividends of natural person shareholders, while corporate shareholders shall make its own declaration in accordance with the requirements of the national tax law.

Taxes on dividend of H Shares are subject to the Hong Kong tax law.

According to the Enterprise Income Tax Law and its implementation rules, both effective on 1 January 2008, and Guo Shui Han [2008] No. 897), before distribution of dividends, the Bank shall withhold and pay the enterprise income tax at the rate of 10% for non-resident enterprise shareholders (including HKSCC Nominees Limited, other enterprise agents or trustees, or other organizations and groups) whose names appear on the Bank’s register of members for H Shares.

According to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay individual income tax for individual holders of H Shares.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders.

REPORT OF THE BOARD OF DIRECTORS

If the individual holders of H Shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Bank will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders. If such shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Bank can apply on behalf of such shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2019, No. 35) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to approval of the competent tax authority.

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

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

(3) Dividend Distribution Policy

The Bank takes into account the interests of all shareholders as a whole and the sustainable development of the Bank in regard to its profit distribution, and emphasizes reasonable investment return to investors. The remaining after-tax profits of the Bank after making up losses, contributing to the statutory reserve fund and general reserve and payment of dividends of preference shareholders may be distributed based on the proportion of shares held by the shareholders according to the profit distribution plan approved by the shareholders' general meeting. The payment of dividends on preference shares shall be executed in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the shares of the Bank are listed and the place where the preference shares are issued or the place where the shares of the Bank are listed, and the Articles of Association of the Bank.

The Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the shareholders' general meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

REPORT OF THE BOARD OF DIRECTORS

IV. ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For details of the 2021 Annual General Meeting and closure of register of members, please refer to the notice of 2021 Annual General Meeting and the circular of the Bank.

V. RESERVES

Details of the movements of the Group's reserves available to Shareholders for the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

VI. SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's operating results, assets and liabilities for the year ended 31 December 2021 is set out in the summary of financial data in this annual report.

VII. DONATIONS

Donations made by the Bank during the year ended 31 December 2021 for charitable and other purposes amounted to approximately RMB7,180,000.

VIII. PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group for the year ended 31 December 2021 are set out in note 2 "Property and Equipment" to the "Financial Statements" of this annual report.

IX. RETIREMENT BENEFITS

Details of the retirement benefits provided to employees of the Group are set out in note 33 "Salaries, bonuses, allowances and subsidies payable" to the "Financial Statements" of this annual report.

X. ULTIMATE PARENT AND ITS SUBSIDIARIES

Details of the Bank's ultimate parent and its subsidiaries as at 31 December 2021 are set out in the relevant sections of "Changes in Share Capital and Shareholders" and notes to the "Financial Statements" of this annual report, respectively.

XI. PURCHASE, SALE AND REDEMPTION OF SHARES OF THE BANK

During the Reporting Period, the Bank and its subsidiaries did not purchase, sell or redeem any shares of the Bank.

REPORT OF THE BOARD OF DIRECTORS

XII. PRE-EMPTIVE RIGHTS

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

XIII. MAJOR CUSTOMERS

As at the end of the Reporting Period, the loan balance of the Bank to any single borrower did not exceed 10% of the net capital of the Bank. During the Reporting Period, the five largest customers of the Bank accounted for no more than 30% of the total interest income of the Bank and other operating income for the year. None of the Directors of the Bank and their close associates or any shareholders who, to the knowledge of the directors, own more than 5% of the number of issued shares of the Bank, has any interest in the above five largest customers.

XIV. SHARE CAPITAL

Details of the movement in share capital of the Bank during the Reporting Period are set out in note 34 "Share Capital" to the "Financial Statements" of this annual report.

XV. TOP TEN SHAREHOLDERS AND SHAREHOLDINGS

The top ten Shareholders and their shareholdings as at the end of 2021 are set out in "Changes in Share Capital and Shareholders" of this annual report.

XVI. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The list, biographies and changes and employees of Directors, Supervisors and senior management of the Bank as at the end of the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees".

XVII. CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REPORT OF THE BOARD OF DIRECTORS

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

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

XIX. PENALTIES IMPOSED ON DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, the Bank's directors and supervisors were not subject to inspections, administrative punishments, public criticisms by the China Securities Regulatory Commission, or public condemnation by the Hong Kong Stock Exchange.

XX. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

XXI. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for those continuing connected transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director or supervisor of the Bank or entities related to such persons had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period (excluding service contracts).

XXII. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors and Supervisors entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation).

XXIII. MANAGEMENT CONTRACTS

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities being entered into by or existed in the Bank.

XXIV. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors and Supervisors had any interest in businesses that constitute or may constitute competition, directly or indirectly, with the business of the Bank.

REPORT OF THE BOARD OF DIRECTORS

XXV. CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank. The Bank adheres to the principles of clarity of authority and responsibility, effective checks and balances in building the corporate governance structure, standardizing the governance operation mechanism, and improving the quality and effectiveness of the governance body's ability to perform its duties. The Bank clarifies and promotes the performance of the respective powers and responsibilities of the general meeting, the Board of Directors, the Supervisory Committee and the senior management in accordance with the law, and promotes the operation of each of governance mechanism of the Bank in compliance with the requirements of laws and regulations, regulatory rules, the Articles of the Bank and other rules. The Bank's corporate governance has remained sound and stable.

XXVI. CONNECTED TRANSACTIONS

The transactions entered into among the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules, subject to the exemption from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all connected transactions and confirmed that such transactions were in compliance with the disclosure requirement 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 24, "Related Party Disclosures", and its interpretations by the IASB. Related party transactions set out in note 44 to the consolidated financial statements do not constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

XVII. MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the Report Period, the loan balance of material related party transactions of the Bank with related parties amounted to RMB9,418 million.

XXVIII. MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

During the Reporting Period, litigations and pending extension legal proceedings with amount exceeding RMB10 million in which the Bank was a defendant or third party involved an amount of RMB546 million.

REPORT OF THE BOARD OF DIRECTORS

XXIX. REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has continuously improved its remuneration management measures and performance assessment systems for its directors, supervisors and senior management under the guidance of relevant policies of the PRC.

The remuneration of the Directors, Supervisors and senior management personnel appointed by the municipal party committees shall be implemented in accordance with the requirements of relevant regulatory authorities. The remuneration of non-executive Directors (including independent Directors), external Supervisors and shareholder Supervisors of the Bank include basic salary and allowances. The Bank's remuneration policy for other senior management is based on the principle of combining rights, responsibility and benefits, taking into account short-term benefits and long-term incentives, and governmental regulation and market adjustment, and has defined a structured remuneration system comprising basic salary, performance-based salary, allowances and subsidies as well as medium and long-term incentives.

The Bank participates in various statutory contribution retirement plans of Chinese governmental organizations of different levels for its employees including directors, supervisors and senior management. Since the State has not issued relevant policies, the Bank has not implemented mid-term and long-term incentive plans for directors, supervisors, senior management and other staff members.

During the Reporting Period, Mr. Zuo Liang, a non-executive Director of the Bank, agreed to waive remuneration arrangement for directors to in 2021.

XXX. SUFFICIENT PUBLIC FLOAT

As of the end of the Reporting Period, the public float for H Shares was 18.56%. Based on information that is publicly available to the Bank and to the knowledge of the directors, as at the date of this report, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange.

XXXI. TAX RELIEF (H SHAREHOLDERS)

(1) Non-resident Shareholders

Pursuant to the relevant requirements of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and related implementation rules, Notice of the State Administration of Taxation on Issues Relating to PRC Resident Enterprises' Withholding Enterprise Income Tax in Respect of Dividends to Be Received by Non-resident Enterprise Holders of H Shares (Guoshuihan [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 Notice of the State Administration of Taxation on Delivering the Table of Negotiated Dividends and Interest Rates to Lower Levels (Guoshuihan [2008] No. 112) (《國家稅務總局關於下發協議股息稅率情況一覽表的通知》(國稅函[2008]112號)), the Bank shall temporarily withhold the enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the register of members in respect of H shares. The effective tax rate will be subjected to the tax treaty.

REPORT OF THE BOARD OF DIRECTORS

(2) Non-resident Individual Shareholders

According to Guoshuihan [2011] No. 348 documents issued by the State Administration of Taxation, the Bank should sign the taxation agreements with the PRC for countries that our non-resident individual holders of H shares reside in and the regulation on taxation arrangements between the Mainland and Hong Kong (Macau) for the entitlement of relevant preferential tax.

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank will apply for the relevant entitlements thereunder on their behalf.
2. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a 10% tax rate, the Bank will withhold individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank will withhold individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank will withhold individual income tax at the tax rate of 20%.

XXXII. USE OF PROCEEDS

During the Reporting Period, to replenish the core tier 1 capital, the Bank issued 305 million H shares at an issue price of HK\$7.18 per share on 1 December 2021, which were sold to not less than six professional institutions and other investors. On 23 November 2021 (being the date on which the terms of the issue were fixed), the price of the Company's H Shares was HK\$3.00 per share; the Bank issued 1,338 million non-overseas listed ordinary shares at an issue price of RMB5.89 per share on 21 December 2021, which were sold to Guangzhou Metro Group Co., Ltd., Guangzhou CityRenewal Group Co., Ltd., Guangzhou Industrial Investment Holdings Group Co., Ltd. and Guangzhou Business Investment Holding Group Co., Ltd. Upon completion of the issuance of H shares and non-overseas listed ordinary shares, the registered capital of the Bank increased to RMB11,451,268,539 and the total number of shares of the Bank increased to 11,451,268,539. The net proceeds from the offering amounted to approximately RMB9,663 million after deducting relevant issuance expenses, which have been fully utilized to replenish the core tier 1 capital of the Bank.

XXXIII. ISSUE OF DEBENTURES

For the issue of debentures by the Bank, please refer to "Changes in Share Capital and Shareholders – Issue, Purchase, Sale and Redemption of Securities" of this annual report.

REPORT OF THE BOARD OF DIRECTORS

XXXIV. SOCIAL RESPONSIBILITY

In 2021, the Bank was committed to supporting the entity economy, serving for “Sannong” business to solve the financing difficulties of small and medium-sized enterprises, and to offer strong financial support for the construction of Guangdong-Hong Kong-Macao Greater Bay Area. The Bank improved the service system and quality of outlets to provide considerate services to the general public. The Bank protected rights and interests of employees, cared for their health, and focusing on the cultivation, demands, well-being of employees. The Bank practiced charity, carried out precision poverty alleviation in multi dimensions for better effective combination of high quality development and social responsibilities. The Bank actively developed green credit, optimized green services, carried out prevention and control of environmental risks, advocated green operation, in order to contribute to win the battle against pollution and protect our motherland.

In addition, because of the business nature of the Bank, current environmental laws and regulations do not have a significant impact on the Bank.

XXXV. MAJOR SUBSEQUENT EVENTS

In order to promote the sound operation of Beijing Mentougou Zhujiang County Bank Co., Ltd., a subsidiary of the Bank, the Bank will increase its capital by RMB250 million to Beijing Mentougou Zhujiang County Bank Co., Ltd., as approved by the Bank at the 2022 First Extraordinary General Meeting held on 18 February 2022. Save for the above, the Bank and its subsidiaries did not have any major events after the reporting period.

XXXVI. OTHERS

As far as the Board of Directors is aware, the Bank has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Bank.

During the Reporting Period, the Bank was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Bank has no significant assets, acquisitions, disposal and corporate mergers.

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

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

During the Reporting Period, there were no significant contracts entered into between the Bank's subsidiaries and controlling Shareholders of the Bank or their subsidiaries.

REPORT OF THE BOARD OF SUPERVISORS

In 2021, the Board of Supervisors of the Bank strictly followed the Company Law, the Corporate Governance Standards for Banking or Insurance Institutions, and the Guidelines for Work of Board of Supervisors of Commercial Banks and other laws and regulations and the relevant requirements of the Articles of Association. The Bank conscientiously implemented the work requirements of the regulatory authorities, completed the election at expiry of office terms of the Board of Supervisors, improved corporate governance, intensified the implementation of the supervision system of the Bank, placed focus on strategical management, financial activities, internal control and risk management, strengthened the management and guidance of the chairman of the Board of Supervisors of the subsidiaries, stepped up efforts to create emerging and diversified means of supervision, deepened and refined the supervision work and assisted the Group to operate in compliance with relevant laws, so as to secure a steady and high-quality development. The report on the relevant work are as follows:

I. COMPOSITION OF BOARD OF SUPERVISORS

As of the end of 2021, the Board of Supervisors of the Bank consisted of nine Supervisors, comprising three employee representative Supervisors (being Wang Xigui, He Heng and Lai Jiexiong); three external Supervisors (being Zhan Liyuan, Han Zhenping and Shi Shuiping); and three shareholder Supervisors (being Zhang Gang, Liang Bingtian and Feng Jintang).

The Board of Supervisors established the Nomination Committee and the Audit and Supervision Committee. The Nomination Committee consisted of five Supervisors, with external supervisor Zhan Liyuan as the chairman and Wang Xigui, Liang Bingtian, He Heng and Lai Jiexiong as members; the Audit and Supervision Committee consisted of five Supervisors, with external Supervisor Han Zhenping as the chairman and Shi Shuiping, Zhang Gang, Feng Jintang and Lai Jiexiong as members.

II. MEETINGS OF BOARD OF SUPERVISORS

In 2021, the Board of Supervisors convened a total of seven meetings, at which 32 resolutions were considered and approved, including the list of election of the chairman of the third session of the Board of Supervisors and the Special Committees of the Board of Supervisors, 2020 work report of the Board of Supervisors, the 2020 performance assessment report of Supervisors, directors and senior management and its members, the 2020 annual report of the Bank, the 2021 interim report, the 2020 profit distribution plan and 2020 internal control assessment report. Eleven matters were reported, including quarterly reports on operational performance, quarterly reports on risk management, supervisory comments on the Bank and the status of rectification, and a special audit report on remuneration management for 2020.

The Nomination Committee of the Board of Supervisors held a total of three meetings, at which seven resolutions were considered and approved, including the 2020 Work Report of the Nomination Committee of the Second Session of the Board of Supervisors, the 2020 performance assessment report of Supervisors, Directors and senior management and its members. One matter was reported, namely, the 2020 Special Audit Report on Remuneration Management.

The Audit and Supervision Committee of the Board of Supervisors held a total of three meetings, at which three resolutions were considered and approved, including the 2020 Work Report of the Audit and Supervision Committee of the Second Session of the Board of Supervisors (《第二屆監事會審計與監督委員會2020年度工作報告》), 2020 Report of the Audit and Supervision Committee on the Bank's Annual Strategic Assessment (《監事會關於本行2020年度戰略評估的報告》).

REPORT OF THE BOARD OF SUPERVISORS

III. SUPERVISION WORK OF THE BOARD OF SUPERVISORS

(I) Optimizing corporate governance and enhancing the ability of governance entities to perform their duties

Firstly, streamlining structures, enabling teams, and completing the election at expiry of office terms of the Board of Supervisors. We took a prudent approach to formulate election work proposal in strict compliance with laws, regulations and the relevant provisions of the Articles of Association of the Bank, and strictly scrutinised the qualifications of candidates for Supervisors in accordance with the procedures, after comprehensively taking various factors into account, including the shareholder structure of the Bank, requirements for performance of the Board of Supervisors, education and professional experience of Supervisor candidates, and promoted the establishment of a professional and diversified Board of Supervisors in accordance with the laws and regulations. Members of the Board of Supervisors, with wide professional backgrounds including finance, law, accounting, economics, business administration, were once engaged in law firms, accounting firms, universities (being professor in accounting), state-owned enterprises (being chief accountant), village communities and private enterprises (being shareholder) and within the industry (being elite). The composition of the Board of Supervisors have been further enriched, which is beneficial to the performance of its supervisory duties.

Secondly, attaching great importance to training, taking in-depth investigation and research, and improving the ability of the Board of Supervisors to perform duties. During the reporting period, the Board of Supervisors, based on the strategic objective of improving the corporate governance system, has organised Supervisors to attend a number of special training and field researches. Through a combination of on-site and distance training, three distance training were carried out with themes such as corporate governance practices of commercial banks, duties of Board of Supervisors and anti-money laundering management. The Board of Supervisors participated in special training courses on corporate governance for Directors, Supervisors and senior management, and published a compendium of laws and regulations relating to the discharge of duties by directors and supervisors of commercial banks to enhance supervisors' awareness of their duties and responsibilities. It also conducted on-site investigation and study on Chaozhou Rural Commercial Bank, with an aim to understand the strategic implementation, corporate governance and risk management of the subsidiary. It also made exchanges with a number of peers in the same industry to broaden the horizon of supervision, hoping to draw experience from the advanced experience of the industry, and enhance the ability of supervisors to perform their duties from multiple perspectives and in all aspects.

REPORT OF THE BOARD OF SUPERVISORS

Thirdly, making strict assessment and tightening supervision to enhance a standardized operation in corporate governance. In strict accordance with regulatory requirements and performance assessment system, 2020 Performance Assessment Work of Directors, Supervisors and senior management were orderly conducted, where management suggestions on were proposed to tackle problems identified during the performance of duties, so as to encourage them to perform their duties in a diligent and normative way. It has strengthened the supervision of the performance of duties and kept track of the performance of Directors and senior management. During the reporting period, the Board of Supervisors has attended more than 200 important meetings of the Board of Directors, president office and senior management and special committees, reviewed the performance materials on a quarterly basis, carried out mid-year targeted inspections on the performance of duties to provide work tips on the normativeness and effectiveness of the performance of duties of Directors. It exchanged opinions with Directors and senior management from time to time on key risk compliance issues and related issues in the course of their duties, and make reminder in a timely manner. At the same time, it has revised and improved the Procedure for Board of Supervisor Meeting, evaluation measures for the performance of the Board of Directors and its members, the Supervisors, the senior management and their members to improve the evaluation of the performance of the governance system, further optimizing the corporate governance mechanism of the Bank and promoting the normative and efficient operation of the governance.

(II) Deepening the implementation of various measures under the Bank-wide supervisory system and improving the quality and effectiveness of internal control management

The Board of Supervisors comprehensively strengthened the supervision of the Board of Directors and senior management in the performance of their duties to continuously improve operational management, risk management and internal control in reliance on Bank-wide supervisory system, and monitored the effective functioning of the first, second and third lines of defence. Meanwhile, it beefed up communication and collaboration with internal and external supervisory force, gave full play the combined efforts of supervision, so as to promote an effective internal control construction.

Firstly, enhancing systematic planning and deliberately laying out various initiatives under the supervisory system throughout the year. At the beginning of the year, we organised a special meeting to promote the supervisory system, issued annual work requirements for the entire Group, and made a series of work plans, such as consolidating the main responsibilities of the Board of Directors, senior management and their committees in the supervisory system, improving the system, stepping up inspection and supervision of system implementation, strengthening the internal control of front-end operation, forming a mechanism for rectification and accountability, and enhancing the strength of punishment and accountability, so as to effectively convey the work pressure. We regularly reviewed the progress and problems of the supervisory system, and implemented the assessment indicators for the implementation of the supervisory system into the performance appraisal system of all management departments and operating organisations of the Bank, so as to promote the performance of the subjects through assessment. During the reporting period, 230 systems were improved and 246 inspections on the implementation of the system were carried out by the departments of the head office of the Bank.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, strengthening supervision and inspection by urging all responsible parties to discharge their supervisory duties in earnest. In accordance with the requirements of the 14th Five-Year Plan on strengthening supervision and management and compliance and internal control, the Board of Supervisors has taken a number of measures to strengthen its re-monitoring responsibilities. We combined comprehensive supervision with special supervision, regularly reviewed the supervision reports of the Board of Directors, senior management, Audit Department, Compliance and Legal Department and other responsible parties, reviewed the series of work drafts of system implementation and inspection of each department, convened special supervisory meetings for risk management departments, enforced the main responsibilities of the second and third line of defence departments, extended special supervision to operating organizations, strictly implemented the deduction of points for performance evaluation, and make timely reminders against problems such as insufficient supervisory initiative, insufficient system implementation and inspection, and lax coordination and supervision, etc., so as to specifically urge the relevant responsible parties to strengthen internal control and prevent risks.

Thirdly, paying close attention to the front-end internal control to build a solid foundation for risk prevention and control. We focused on urging operating institutions to take the initiative to plan and strengthen internal control, and to enforce the main responsibility of front-end operating institutions. We promoted the branches to roll out the annual work plan for internal control management inspections, covering a wide range of inspection items in areas such as overall management, finance and operations, risk compliance, corporate business, retail business, inclusive and micro business. During the reporting period, a total of 1,549 self-inspections were conducted by the branches, enhancing the initiative of the operating institutions in enhancing risk control and internal control and strengthening the foundation of compliance and risk control.

(III) Intensifying supervision in key areas to protect the quality development of the Bank

Firstly, carrying out solid supervision of strategic performance to help enhance strategic execution. The Board of Supervisors was deeply involved in the whole process of strategic management, focused on the formulation of the Bank's 14th Five-Year Strategic Plan, the 2021 Strategic Implementation Plan and organisational restructuring, reviewed the strategic sub-plans for corporate business, retail business and the development of subsidiaries, and provided timely advice and recommendations in conjunction with regulatory requirements to facilitate strategic formulation and implementation optimization. We followed up on the implementation of the strategy on a quarterly basis, listened to reports on the implementation of the strategy, integrated process and efficiency supervision, listened to the views and suggestions of the grassroots on strategy implementation, process optimisation and business guidelines, followed up and verified the implementation of the views of the grassroots, addressed the concerns of the grassroots on system function optimisation, clarification of business guidelines, service and product support, etc., so as to help improve the execution of the whole Bank.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, intensifying financial supervision to promote standardization, professionalization and refinement of financial management. Specifically, We kept track of the Group's financial data and the performance of operating results of each entity on a monthly basis, focusing on the adequacy of the impairment allowances for assets, the truthfulness of significant accounting and the reasonableness of the allocation of financial resources. We also strengthened supervision in key financial areas, prioritised to review important financial reports such as annual reports, annual financial accounts and budget proposals, profit distribution proposals, and received special reports from the finance department on annual reports and interim results. We conducted special studies on major financial issues such as proposals for targeted issuance projects and performance appraisal reform proposals, and makes specific management recommendations on the sustainability of the Bank's profitability, refinement of capital management and accuracy of financial data, taking into account the compatibility with external regulatory requirements and the Group's development strategy. By making effective use of the professional strength of external auditors and other professional bodies, we issued the Letter on Key Issues of the Board of Supervisors to guide external auditors to pay attention to key areas such as the Bank's capital position, valuation of financial assets, data governance and credit business in the annual audit, and to oversee the independence and effectiveness of external audit work. Meanwhile, in the middle of the year, we organised a special meeting on financial supervision and received reports from the finance and accounting Department on the development of key financial work of the Bank. We put forward work requirements in respect of implementing the requirements of the new accounting standards, strengthening the co-ordination and allocation of financial resources, consolidating the responsibility for data management and strengthening the management of the Group's consolidated statements.

Thirdly, conscientiously performing internal control supervision duties to increasingly improve the Bank's internal control system. The Board of Supervisors kept a close watch on the performance of internal control responsibilities by the governance and the three lines of defense on the basis of taking the lead in the Bank's supervision system. We reviewed audit reports, system implementation inspection reports and other materials on a daily basis, and reviewed important documents such as the 2021 Delegation of Authority, the Compliance Management Plan, the Practitioner Conduct Management Plan, Measures for the Management of Related Party Transactions and the Information Disclosure Regulations, supervising the strengthening of compliance management. In close integration with the requirements of the CBIRC on the launch of the "Year of internal control compliance management" campaign, it will also evaluate and accept the rectification and accountability of the problems identified in the previous and this year's self-inspection of internal control compliance management, as well as the special rectification of recurrent problems, and make recommendations for improvement, so as to promote the depth and breadth of the self-inspection and self-correction work, facilitate root-cause rectification and in-depth treatment of problems, and further enhance the level of internal control and basic management. At the same time, we selected key areas of internal control such as authorisation management and anti-money laundering to carry out special supervision, whose results was later prepared to special reports and supervision letters. This helped put forward special advice on improving the authority and processes of the governance layer and further strengthening the supervision of money laundering risk management to achieve the control objectives of strengthening internal control, preventing risks and promoting compliance.

REPORT OF THE BOARD OF SUPERVISORS

Fourthly, deepening risk management supervision to promote the integrity and improvement of the overall risk management mechanism. On one hand, we strengthened oversight of the entire risk management process. Starting from the formulation of risk management policies and systems, we reviewed important documents such as the 2021 Credit and Investment Policy, the Comprehensive Risk Management Guidelines and the Non-Performing Assets Debt Transfer System, and made targeted recommendations after conducting a special study on the Bank's work plan for the centralised disposal of large non-performing assets. On top of that, we also follow up on the changes in the quality of the Bank's assets, the achievement of key regulatory indicators, and the implementation of credit and investment policies on a monthly basis, with an emphasis on revealing potential risks and making management recommendations on improving the construction of the risk control system, optimising the asset structure and implementing unified credit. On the other hand, we strengthened supervision of key areas and important risk points. In order to achieve it, the Board of Supervisors conducted special investigation and study on the disposal of non-performing assets, and made management recommendations on the efficiency and cost of disposal of non-performing assets, improvement of non-performing assets-related systems and strengthening of enforcement accountability, as well as enhancing the rectification of non-compliance problems at source; strengthened the attention to credit business cases and organised special meetings on the rectification and implementation of credit business problems. In addition, the Board of Supervisors created supervision approaches, effectively harnessed audit resource and other supervisory resources, and management recommendations from the Supervisory Board supervision on the basis of access to credit business, off-site branches and other special audits. At the same time, it strengthened the guidance on audit work, focusing on the audit work plan for 2021, and selected financial market business-specific audit projects for simultaneous guidance, which contributed to the enhancement of the comprehensiveness and effectiveness of audit work.

(IV) Keeping a close watch on the implementation of internal and external inspection and rectification so as to improve the long-term mechanism for rectification of problems

Firstly, strictly implementing regulatory requirements of regulatory authorities, following up and supervising the rectification of internal and external problems of the Bank. Internal and external inspections were conducted to identify problems and rectify the accounts, with priority given to the follow-up work of the implementation of rectification of supervisory comments by the Guangdong Bureau of CBIRC and other regulatory authorities, and regular inspections were made to check the results of rectification. During the reporting period, we followed up on a quarterly basis to verify the rectification and implementation of the problems identified in external regulatory opinions and internal inspection items through data access, discussion and interview, communication and tips, and special supervision, etc., some units where rectification had been not in place or in a timely manner were under more frequent reminder and supervision.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, making deep use of the results for promote a better internal control and risk control of the whole Bank. We made full use of the results of internal and external supervision and inspection, focused on the analysis of concerns expressed by the Guangdong Bureau of CBIRC and other regulatory authorities, which covered 11 categories including credit business, financial markets business, equity and corporate governance, asset disposals, macro policy enforcement, related party transactions, staff management and case prevention, consumer protection and data governance. The Board of Supervisors strengthened its follow-up and attention in the course of daily supervision, extended supervision on the rectification of problems in certain branches, verified whether the management departments had performed their duties properly, issued special supervisory letters, made suggestions to strengthen the management and business supervision responsibilities of the head office, enhanced the supervision of business investigation and rectification of problems, and practically prevented and controlled risks, etc. On the basis of effectiveness of rectification of branches, the management departments' supervisory responsibility for rectification work was further consolidated.

Thirdly, drawing three inferences from one instance, and studying on and providing systematic solutions for recurrent problems. The Board of Supervisors focused on the outstanding problems repeatedly pointed out by the supervisory authorities in recent years, analyzed and explored the deep-rooted causes in depth, further strengthened the sorting and analysis of related businesses based on paying attention to the rectification of case problems, launched special investigation and research on key areas such as disposal of non-performing assets and "three investigations" of loans, studied and proposed systematic solutions, formed a supervisory closed loop of problem identification, analysis of causes, supervision and rectification, problem resolution and accountability, so as to help improve the level of internal control management of the whole bank. At the same time, the Bank paid close attention to the rectification of the problems identified in the internal and external inspections of its subsidiaries, conducted an in-depth analysis of the overall situation of the problems identified in the internal and external inspections of its subsidiaries in 2020, conducted a comprehensive review of the status of management of consolidated financial statements of the Bank and made systematic management recommendations in a timely manner.

(V) Continuing to deepen the guidance and management of the chairman of the Board of Supervisors of the subsidiaries to upgrade the governance of the subsidiaries

Firstly, taking annual evaluation as an important starting point, and urging diligent performance of duties. The Board of Supervisors seriously examined the performance materials of the chairman of the Board of Supervisors of the subsidiaries for the year 2020 and conducted multiple investigations to verify the performance and effectiveness of its duties to ensure a serious, objective and fair assessment and evaluation work. As improvements were made to address problems, the evaluation results showed that the chairman of the Board of Supervisors of the subsidiaries in 2020 improved its performance significantly compared with previous years, fully utilising the motivating and binding effect of the evaluation results.

REPORT OF THE BOARD OF SUPERVISORS

Secondly, further increasing the supervision in the performance process to exert pressures on the performance of duties. The Board of Supervisors adopted various ways and means for supervision to ensure that supervision is carried out on a daily basis and in a strict manner. It also regularly reviewed the work reports of the chairman of the Board of Supervisors of the subsidiaries, randomly checked the accounts of internal and external inspections and verified the authenticity of the rectification, listened to the on-site work reports of the chairman of the Board of Supervisors of certain subsidiaries, carried out mid-year supervision of the performance of the Board of Supervisors of our subsidiaries, reviewed the relevant motions of the Board of Supervisors of our subsidiaries, kept track of the performance of the chairman of the Board of Supervisors of the subsidiaries, proactively explore the problems in the performance of their duties and strengthen supervision and reminders through notification and issuance of reminder letters. During the reporting period, reminder letters were issued to the Board of Supervisors of certain subsidiaries that did not perform their duties properly, for the purpose of urging them to perform their duties diligently and enhancing the effectiveness of the meetings of the Board of Supervisors of subsidiaries by reviewing the relevant meeting materials and issuing professional opinions.

Thirdly, strengthening the combination of management and service to make up for the shortcomings in the performance of our duties. The Board of Supervisors set a benchmark by combining inspection and research to provide specific guidance and assistance to Chaozhou Rural Commercial Bank (the "CZRCB"). The Board of Supervisors carried out the Bank's work plan on supporting the quality development of CZRCB, launched a special inspection on the performance of the supervisors and the operation of the Board of Supervisors of CZRCB, and visited CZRCB to conduct on-site investigation and research, so as to provide professional guidance and assistance in a targeted manner in the future. The Board of Supervisors promoted the progress of its successors and innovated the system of occasional debriefings by the chairman of the Board of Supervisors of the subsidiaries. The chairman of the Board of Supervisors of the subsidiaries that were assessed to be "basically competent" in 2020, or whose performance of duties was not effective, or whose subsidiaries had outstanding incipient problems, were selected to give on-site presentations so that we put forward specific work requirements to help them clarify their way of thinking and find out the right direction to address problems. The Bank discovered the problems and carried out special investigation on the overall situation of the problems found by the internal and external inspection of the subsidiaries in 2020. The Bank made full use of the inspection results to comprehensively examine the current situation of the Bank's consolidated financial statements management and the development of its subsidiaries, and put forward targeted management suggestions such as further performing the duties of Substantial Shareholders, improving the management mechanism of subsidiaries, practically implementing the major responsibilities of subsidiaries, and strengthening compliance management and control, so as to give full play to the role of rectification and introspection with reference to issues identified so as to avoid similar occurrence and tracing back to the source, in order to improve the level of management of the Bank's consolidated financial statements.

REPORT OF THE BOARD OF SUPERVISORS

Fourthly, providing continuous professional training and guidance to enhance the ability to perform our duties. Based on the "Learning and Sharing" remote training platform, remote training were launched for the the chairman of the Board of Supervisors of the subsidiaries on topics such as corporate governance and the performance of supervisory committee duties, and 23 training sessions were held cumulatively to produce real practical things during training and share new regulatory requirements and new practices in the performance of duties in real time. At the same time, the Board of Supervisors took the initiative to provide professional guidance and summarised and sort out common problems in the operation of the chairman of the Board of Supervisors of the subsidiaries, for example, to carry out evaluation of the performance of directors and supervisors, and to issue special written guidance to provide clear guidelines for the Boards of supervisors of subsidiaries to carry out relevant work.

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

Legal operation of the Bank: During the Reporting Period, the Board of Directors and senior management of the Bank determined to operate in accordance with the laws, and the decision-making procedures complied with laws, regulations and the relevant provisions of the Articles of Association of the Bank. The Board of Supervisors was not aware of any performance of it that were in breach of the laws, regulations and the Articles of Association of the Bank and jeopardized the interest of the Bank.

Preparation of regular reports: During the Reporting Period, the Board of Supervisors reviewed the 2020 annual report and 2021 interim report of the Bank, and considered that its procedures of preparation and approval were in compliance with relevant laws, regulations and regulatory requirements, and these reports give a true, accurate and complete view of the financial positions and operating results of the Bank.

Profit distribution plan: During the Reporting Period, the Board of Supervisors reviewed the 2020 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant provisions of laws, regulations and the Articles of Association, and was in the interests of the shareholders as a whole, which was beneficial to the long-term development of the Bank.

Formulation and implementation of strategy: After its assessment on the development strategy in terms of scientific standard, rationality and soundness, the Board of Supervisors considered that the comprehensive and scientific strategy outline of the Bank has been implemented well, allowing the Bank to make progress in key areas effectively.

Implementation of resolutions passed at general meeting(s): The Board of Supervisors supervised the implementation of resolutions passed at general meeting(s), and concluded that the Board of Directors and the senior management were able to duly implement such resolutions.

REPORT OF THE BOARD OF SUPERVISORS

Performance of the Board of Directors and senior management and their members: During the Reporting Period, the Board of Supervisors appraised the performance of the Board of Directors and senior management and their members over 2020, and reported result of the performance appraisal to the general meeting and regulatory authority. The result of such performance appraisal was competence and above.

Internal control and risk management: During the Reporting Period, the Board of Supervisors supervised the internal control and risk management of the Bank reviewed the 2020 Internal Control Assessment Report and 2020 Work Report on Comprehensive Risk Management. No material defects were found in the internal control and risk management of the Bank.

Performance of social responsibility: During the Reporting Period, the Bank performed its social responsibility in a proactive manner, and the Board of Supervisors had no objections to the 2020 Corporate Social Responsibility Report of the Bank.

Related party transactions: During the Reporting Period, the Bank entered into related party transactions in accordance with the laws and regulations of China and the relevant requirements of the Articles of Association. The Board of Supervisors was not aware of any activities that were in breach of the principles of honest and fair or jeopardized the interest of the Bank and its shareholders.

REPORT ON SANNONG FINANCIAL SERVICES

As a local small and medium-sized rural commercial bank born and prospered by agriculture, the Bank has always borne in mind its political responsibility and social mission, adhered to Xi Jinping Thought on socialism with Chinese characteristics for a new era as its fundamental adherence, and resolutely implemented the decisions and deployment of the CPC Central Committee on “Sannong” work, the rural revitalisation, and the provincial and municipal work requirements, adhered to the development orientation of supporting farmers and small and micro enterprises, and unswervingly provided high-level and multi-level financial services for agriculture, rural areas and farmers. In 2021, progressive results have been achieved in the “Sannong” financial field.

As of the end of 2021, the size of the Bank’s agricultural loan balance amounted to RMB40.054 billion, representing an increase of RMB1.694 billion from the beginning of the year and a growth rate of 4.42%; the number of agricultural service outlets and rural financial service stations was 408; 27 “Smart Village” agriculture-related platforms were launched, with a district-level coverage rate of 90.91%; the total business volume of each payment and clearing system was 630 million, with a transaction turnover of RMB27.23 trillion. The Bank was awarded the title of “Excellent” in Guangzhou in the rural revitalisation assessment conducted by the People’s Bank of China and the China Banking and Insurance Regulatory Commission (the “CBIRC”). The “Jinmi rural revitalisation pig breeding loan” and the “Jinmi rural revitalisation farming loan” won the Gold Award and Innovation Award at the Guangdong Most Popular Financial Services for Rural Revitalisation Products Awards.

I. SANNONG WORK IN 2021

(I) Firming up the guiding ideology and deepening the mechanism construction

1. Adhering to “First Issue” system to strengthen the Party’s deployment and leadership

The Bank strictly implemented “First Issue” system, and thoroughly studied and implemented Xi Jinping Thought on socialism with Chinese characteristics for a new era, General Secretary Xi Jinping’s important speech and important directives. In 2021, a total of 14 special studies on “Sannong” and rural revitalisation were conducted, and more than 30 specific measures were formulated and put into place; the Bank implemented the “First Issue” follow-up mechanism to ensure that the important speeches and instructions of General Secretary Xi Jinping were implemented throughout the entire process and in all aspects of “Sannong” work.

2. Introduction of a special implementation plan and improvement of the high-level promotion mechanism

Focusing on the decisions and deployment of the CPC Central Committee and the key points of provincial and municipal work, and based on the strategic development plan for the “14th Five-Year Plan”, the Bank has compiled and issued the “Implementation Plan of Guangzhou Rural Commercial Bank on the Comprehensive and High Quality Promotion of the Rural Revitalisation Strategy” to coordinate the implementation path of the Bank’s rural revitalisation work. As of the end of 2021, the Bank has implemented 57 major work initiatives in the field of rural revitalisation, effectively promoting the level of financial services.

REPORT ON SANNONG FINANCIAL SERVICES

3. *Optimising the assessment of resource allocation, implementing the performance appraisal mechanism*

The Bank specially established assessment indicators for “Sannong” business, highlighted the orientation of serving the “Sannong” key work, and gave full play to the guiding role of performance appraisal; strengthened the support of financial resources for “Sannong” business, and allocated special performance incentives and marketing expenses to strengthen the marketing incentive effect of “Sannong” business.

4. *Optimising agricultural credit policies, deepening service guarantees of supporting agriculture*

The Bank established the credit policy orientation of loans to support farmers and small and micro enterprises, and guided the flow of credit resources to the agricultural fields such as agricultural modernisation and the stabilisation and guarantee of grain production and supply; formulated segmented policy related to agriculture in accordance with government’s orientation and market cycle changes; established the green approval channels, and actively supported business in the field of rural revitalisation; and optimised the implementation of the working mechanism for diligence and liability exemption of financial services related to agriculture to ensure the enthusiasm for the marketing of “Sannong” business.

(II) Deepening agricultural supply-side financial services, and focusing on prosperity of industry

1. *Enhancing the financial supply to the key areas related to agriculture*

Focusing on key areas of concern such as national food security and the stabilisation and guarantee of production and supply of agricultural products, the Bank continued to strengthen the provision of financial services. The Bank actively participated in the first Spring Ploughing Ceremony in Baiyun District, providing comprehensive financial services for agriculture enterprises; carried out marketing for the customers on the list of loan with discounted interest for enterprises to ensure stable production and supply of agriculture products in Guangzhou, and strengthened credit support; and created the “Jinmi rural revitalisation series” products to promote the steady development of hog farming and the stable operation of agriculture enterprises. As of the end of 2021, the balance of loans with discounted interest to ensure stable production and supply in Guangzhou amounted to RMB1.056 billion, representing an increase of 18.12%, while the balance of loans for hog farming industry amounted to RMB1.238 billion, representing an increase of 9.46%.

REPORT ON SANNONG FINANCIAL SERVICES

2. *Innovating services for modern agricultural industry system*

In line with the trend of accelerating the integration and development of the primary, secondary and tertiary industries in rural areas, innovative financial services were provided for new types of agricultural business entities, agricultural industrial parks and new business forms for farmers to operate. The Bank launched exclusive loan products for new types of agricultural business entities such as leading agricultural enterprises, family farms and professional cooperatives; issued the “Comprehensive Financial Services Programme for Industrial Parks” to provide high-quality comprehensive services for modern agricultural industrial parks; and launched the “Prosperity Card” (“興旺卡”), a credit card with the theme of rural revitalisation, and installment loans to benefit farmers for agricultural-related individual business entities to support the development of farmers’ industries. As of the end of 2021, the balance of loans to various new types of agricultural business entities amounted to RMB2.247 billion, representing an increase of 20.48%.

3. *Ensuring the comprehensive financial service in Guangzhou-Qingyuan comprehensive area*

The Bank strengthened financial services, and actively promoted the integrated development of urban and rural areas in Guangzhou-Qingyuan comprehensive area. The Bank expanded the scope of collateral of rural property rights, and initiated the first product for “Jinmi•Convenient Forest Loan for Rural Revitalisation” pledged by the compensation authority of ecological public welfare forest in Guangzhou area, while exploring “two rights” mortgage products; and promoted “One Village, One Product, One Town, One Industry” and launched “Rural Revitalisation-Jinmi• Flower Loan” to establish a commodity model with distinctive characteristics for flower planting industry in Conghua. As of the end of 2021, “Convenient Forest Loan” had been launched in 11 villages, with a loan balance of RMB588,200; “Flower Loan” had an additional investment of RMB22.7 million.

4. *Developing professional and specialized financial credit model for the whole village*

The Bank formulated and implemented Certain Opinions on Accelerating the High-quality Development of Credit for the Whole Village in Rural Areas to provide financial credit services for the whole village. The financial service design of “One Village, One Policy” has been implemented in line with the difference in characteristic village community industry; the approval process and procedures were simplified to improve the quality and efficiency of financial services. As of the end of 2021, a total of 500 village communities have been considered and approved, with loans of RMB750 million invested.

REPORT ON SANNONG FINANCIAL SERVICES

5. Continuing to enhance inclusive financial support of farmers

The Bank actively did well in the preferential policies of the central bank for supporting agriculture and the SME-supporting refinancing, promoted the development of agricultural business, and practically implemented the inclusive policy. As at the end of 2021, the loans to refinance of supporting agriculture launched by the Bank was RMB1.797 billion, leveraging a loan input of RMB9.585 billion, benefiting 2,975 agricultural enterprises and farmers; the SME-supporting refinancing loans launched by the Bank was RMB9 billion, and leveraging a loan input of RMB25.615 billion, benefiting 6,203 customers.

(III) Promoting the construction of urban and rural integration, and creating “ecological livability”

1. Steadily helping urban renewal to ensure villagers live and work in peace and contentment

Following the policy direction of urban renewal in Guangzhou, the Bank issued the “Work Plan on Promoting High Quality Development of Urban Renewal Business (2021-2023)” to establish a mechanism for access to urban renewal projects and promote the stable and efficient development of urban renewal business, focusing on the characteristics of old village transformation in Guangzhou. By the end of 2021, the Bank helped 132 villages and communities launch urban renewal projects with a credit balance of RMB97.320 billion, representing an increase of 17%.

2. Successive implementation of “support for village construction” to build a beautiful village

The Bank continued to promote the integration of business operations and charitable projects, launched a special project on “supporting village construction”, supported the ecological livability of villages and village beautification, and provided special funding support of RMB3,182,100 for the repair of 273 villages and communities for the repair of Yinchun Party building sites and the purchase and renovation of public facilities, helping build beautiful villages and promoting urban-rural integration development.

3. Insisting that “green water and green mountains are golden mountains” and promoting the development of green finance

The Bank innovated green financial products and launched “Jinmi Carbon Emission Right Mortgage” to effectively meet the demand for green financial capital; constructed a customer list of green agriculture-related enterprises and adopted the marketing and expansion method of “stock circulation + incremental acquisition” to strengthen financial support for green agriculture-related enterprises; strengthened the tilting of resources and provided FTP subsidies and assessment incentives for green credit business to promote the development of green agriculture-related business.

REPORT ON SANNONG FINANCIAL SERVICES

(IV) Supporting the construction of rural spiritual civilisation to protect the “rural style civilization”

1. Deepening the Party building together and work together for win-win results

The Bank strengthened the leadership of Party building, and further promoted the pairing and co-construction of grass-roots Party organizations and villages and communities to give full play to the role of grass-roots Party organization as fighting fortresses; focused on improving financial services to promote the deep integration of Party building work and business operation, continuously improved the effectiveness of pairing and co-construction, work together to build a win-win situation. By the end of 2021, the Bank established Party building relationships with nearly 400 villages and communities and enterprises.

2. Strengthening the construction of Rural Revitalisation talent team

The Bank strengthened the talent training of “Sannong”, carried out the training of policies and products related to Rural Revitalisation and urban renewal to give full play to the advantages of financial talents in strengthening agriculture, carried out six special trainings in 2021, and launched one special training video, with about 500 participants; specially set up honorary award of “star of Sannong” to commend the advanced models who have made outstanding performance in the work of “financial services for Rural Revitalisation”

3. Launching financial knowledge to the countryside and implementing financial knowledge popularisation

The Bank strengthened publicity and promotion of the thematic publication “Bugu – Village Community Album”, with 3 issues in 2021, covering 1,301 administrative villages in the city; set up a consumer protection publicity working group in each central branch, and made full use of the Bank’s rural financial service stations and various online platforms to carry out financial knowledge popularisation work and enhance the effect of popularisation.

(V) Vigorously promoting the construction of digital villages to ensure “effective governance”

1. Promoting “village affairs card” settlement reform, and strengthening the supervision of village and community funds

The Bank actively responded to the deployment of Guangzhou Municipal Government to promote the settlement of “village affairs card” and successfully implemented the first village affairs card in Guangzhou City. In 2021, the Bank signed 1,259 correspondent banking agreements with village communities in Guangzhou, with a 96.85% signing rate and 7,677 cards issued, providing effective support for the supervision of village funds.

REPORT ON SANNONG FINANCIAL SERVICES

2. *Promoting the construction of digital platform to enhance the governance of village and community*

The Bank built a series of platforms for “digital government” and “smart village”, and actively promoted the digital transformation of banking and community business; steadily promoted digital livelihood and government services, with 21 “Digital Finance” platforms being online at all levels in 2021; promoted the “smart village” platform, and uploaded 27 agriculture-related platforms to various districts in the city in 2021, with a coverage rate of 90.91% at the district level.

3. *Accelerating the implementation of the application of mobile payment in rural areas“Ten-Hundred-Thousand Project”*

The Bank actively responded to the call of supervision authority and launched the construction of “Mobile Payment Demonstration Towns” in Baiyun, Conghua, Panyu and Nansha in Guangdong Province, and promoted the implementation of the “Ten-Hundred-Thousand Project” by taking a point-to-area approach. In 2021, two “Mobile Payment Demonstration Towns” were built in Renhe Town of Baiyun District and Jiangpu Street of Conghua District, and 62,600 new users were added in urban and rural areas in 2021 by actively promoting cloud flash payment business in rural areas.

4. *Optimising three-dimensional collaborative rural financial service channels*

The Bank continued to optimize the service capacity of the Bank’s business network and rural financial service stations, exploring the construction of village revitalisation nodes; solved the difficult problem of villagers’ customers, especially elderly customers, who are not accustomed to smart devices, by placing 1,063 Bank government integrated machines in Guangzhou and other towns; promoted the construction of rural service warming stations to provide convenient services to the public, with a total of 150 warming stations built by 2021; continued to upgrade the functions of Internet banking, and launched the “Cloud Treasury” cash management service, and improved online business processing.

REPORT ON SANNONG FINANCIAL SERVICES

(VI) Vigorously promoting financial improvement of farmers' livelihood to achieve "prosperity in life"

1. *Consolidating the results of poverty alleviation, and steadily promoting the revitalisation of the village*

The Bank practically implemented the provision of support and alleviation work in township and village support, selected and sent a cadre as a member of the team of Qigong Town, Yangshan County, Qingyuan City, and donated RMB350,000 to support the implementation of Party construction and public infrastructure; Continued to make efforts to support the northern part of Guangzhou, through visits to investigate the actual situation of Jia Songling Village, and create a village community B&B support project by introduction of "Maiké Home Accommodation", with a planned loan support of RMB10 million.

2. *Giving play to the advantages of the platform to help farmers increase their income*

The Bank made full use of the "Jinmi Market" e-commerce platform to vigorously introduce agricultural enterprises and farmers and poverty-alleviating goods, with 106,000 orders in 2021 and accumulated sales of RMB6.078 million; actively brought into play the support role of the Jinmi Fund, and activated the "Jinmi Fund" project titled "practically supporting the public, the bank and society to help farmers promote revitalisation", donating RMB2 million to support the establishment of the incubation platform for rural revitalisation projects, helping rural families stabilise their income.

3. *Continuous optimising of villagers' asset-value-added financial services*

The Bank further enriched villagers' deposit and financial management products to provide product support for villagers' asset appreciation, increasing the number of retail deposit products to 17 at the end of 2021 and issuing 17 financial management products exclusively for villagers, raising RMB2.279 billion; publicised and promoted the introduction of treasury bonds to the rural areas to enrich villagers' access to bonds, handling 7,596 treasury bonds for villagers in 2021 with an accumulated sales amount of RMB1.080 billion.

REPORT ON SANNONG FINANCIAL SERVICES

II. THE WORK PLAN FOR 2022

(I) Guiding Principle

The Bank adhered to taking Xi Jinping Thought on socialism with Chinese characteristics for a new era as guidance, fully implemented General Secretary Xi Jinping's important remarks regarding the work of "Sannong" and the spirit of the Central Rural Work Conference, focused on the No.1 document of the Central Government and the key layout of municipalities on deepening the rural revitalisation strategy, deeply implemented the "14th Five-Year" development strategy of the Bank, insisted on Party building as the guidance and village revitalisation service as the foundation, attached importance to the layout of rural finance and other special business, promoted stable and increased production of agriculture, stable and increased income of farmers, as well as stable and peaceful rural areas, and advanced rural revitalisation strategy in a comprehensive and high-qualified manner.

(II) Working Objective

The Bank adhered to the general keynote of stability as top priority and seeking progress while maintaining stability, deeply implemented the opinions of Central Government on the comprehensive promotion of rural revitalisation, actively implemented the requirements of the municipal government of "bearing in mind the initiative, returning to original source, and supporting the development of agriculture or SMEs", built on the new development stage, implemented the new development concept and constructed the new development pattern, and promoted the stable and effective development of rural revitalisation of the Bank.

1. *Ensuring stable and increased production of agriculture*

The Bank focused on the key areas including stable and increased production of food, stable and guaranteed supply of agricultural products, agricultural revitalisation and agricultural modernisation, further strengthened its comprehensive service ability, gave full expression to the positioning of returning to original source and supporting main business, and achieved a higher growth rate in agriculture-related loans than the average growth rate for all loans of the Bank.

2. *Guaranteeing stable and increased income of farmers*

The Bank insisted on the positioning of business to support the development of agriculture or SMEs, continually improved the service ability on inclusive rural finance, and developed and promoted the specialized deposit wealth management products for rural finance to effectively support farmers' asset appreciation; continually built a financial service model for village and community scenes and broadened farmers' multi-channel income sources; and provided high-qualified financing support to farmers' production and operation.

REPORT ON SANNONG FINANCIAL SERVICES

3. *Contributing to rural stability and peacefulness*

The Bank promoted the integration of urban and rural areas in a solid and stable manner, achieved the organic combination of urban renewal and rural revitalisation, and contributed to farmers contented life; made great efforts to support the establishment of rural digitalisation, and improved rural comprehensive governance efficiency; deepened the joint construction of Party building between banks and villages, promoted the sustainable development of rural public welfare projects, and supported the construction of beautiful villages.

(III) Working Initiatives

1. *Adhering to party leadership, building the best path for financial service*

Firstly, the Bank adhered to the Party leadership on “Sannong”, continually implemented “first issue” system, followed up and studied the important speeches and instructions from General Secretary Xi Jinping in a timely manner, and combined with the key work for comprehensive promotion of rural revitalisation to convert study achievements into a powerful impetus that promoted the high-qualified development of “Sannong” financial service of the Bank. Secondly, the Bank deepened the consolidation of “Implementation Plan of Guangzhou Rural Commercial Bank on the Comprehensive and High Quality Promotion of the Rural Revitalisation Strategy”, established the rural revitalisation working mechanism of “quarterly monitoring, regular reporting and supervising with focus”, and implemented the opinions of the Central Government, provinces and municipalities on the key work for comprehensive promotion of rural revitalisation one by one.

2. *Strengthening policy system, implementing financial service guarantee measures*

Firstly, the Bank built resource allocation system for the “Sannong” business to encourage the stable and continuous development of “Sannong” business through appraisal and supporting financial resource. Secondly, the Bank strengthened the orientation of credit policy, emphasised the strategic positioning of support for agriculture development in credit policy within the Bank, and guided credit resources towards policy priority areas. Thirdly, the Bank optimised the due diligence exemption process, and implemented the due diligence exemption system for agricultural-related business on the premise of effective moral risk prevention to enhance the enthusiasm of “Sannong” financial service.

REPORT ON SANNONG FINANCIAL SERVICES

3. Deepening financial empowerment, contributing to agricultural modernisation development

Firstly, the Bank actively provided financial services in the areas of crop farming and food production around food safety and production stability and supply guarantee of agricultural products, and made great efforts to support the operation and development of leading agricultural enterprises at all levels, the “Vegetable Basket (菜籃子)” agricultural producers in the Guangdong-Hong Kong-Macao Greater Bay Area and production stability and supply guarantee enterprises in Guangzhou, with credit support as the main focus. Secondly, the Bank strengthened efforts to protect the financing needs of construction of modern agricultural industrial parks, selected high-quality industrial parks as pilots to carry out financial research and development and expansion of intelligent system in the park, and replicated and promoted to other industrial parks from point to area. Thirdly, the Bank focused on the opportunities arising from the implementation of the Guangzhou-Qingyuan comprehensive area reform to expand the scope of collateral for rural property rights, and further improved the guarantee function of rural property rights. Fourthly, the Bank reinforced its efforts in giving publicity to agriculture-related preferential policies, took advantage of the refinancing loans to support the development of agriculture or SMEs, and put agriculture-related preferential policies into practice.

4. Strengthening support service, maintaining the bottom line of preventing large-scale return to poverty

Firstly, the Bank promoted the “Work Plan on Municipal State-owned Enterprise in Association with Relevant Northern Towns and Streets to Contribute to Rural Revitalisation (《關於市屬國有企業聯繫北部相關鎮街助力鄉村振興工作方案》)” in a continuous manner, actively promoted the homestay projects in Jiasongling Village to promote the villagers in the vicinity to increase employment, and conscientiously protected the livelihood of farmers. Secondly, the Bank continued to implement the work to support villages and towns, and conscientiously provided assistance to Qigong Town, Yangshan County, Qingyuan City to achieve rural revitalization, with party construction, donation and assistance provision and “intellectual integration” service as focuses. Thirdly, the Bank gave full play to the role of the Jinmi Public Welfare Foundation, built an incubation platform for rural revitalisation industrial projects, and continued to promote support projects in villages and communities such as relief of major diseases, respect for the elderly, and studying assistance. Fourthly, the Bank enhanced the efforts of “Jinmi Mart” in supporting agriculture, effectively promoted the products in helping farmers and helping the poor “out of the village” and “out of the mountain”, and contributed to poverty alleviation and income growth for agricultural enterprises and farmers.

REPORT ON SANNONG FINANCIAL SERVICES

5. *Optimising service efficiency, promoting rural construction and development*

Firstly, the Bank continued to promote “whole village credit” business, conducted the creation and assessment of creditable households and villages, established rural credit system, conducted differentiated marketing management in conjunction with the actual situation of villages and communities such as old reform and rural specialised industries. Secondly, the Bank actively built a stereoscopic and coordinated financial service system for urban renewal scene, further improved the marketing comprehension and expansion depth of urban renewal projects, and realized the organic integration of urban renewal and rural revitalisation business. Thirdly, the Bank continued to enhance its support for rural infrastructure construction, explored and developed the financial products suitable for the development of collective construction land in villages and communities, and contributed to farmers’ contented life. Fourthly, the Bank actively joined hands with the Jinmi Foundation to continue its “support villages” specialised project, and contributed to promoting the harmonious development of urban and rural areas.

6. *Enriching service channel, improving village and community governance capability*

Firstly, the Bank continued to optimise its digital financial service channel, enriched its Wechat Bank and online business hall channels, deepened the functions of new payment product, and continued to promote the construction of mobile payment demonstration project to further enhance mobile payment service in rural areas. Secondly, the Bank continued to promote the series of platforms such as “intelligent villages”, and push forward the digital transformation of village and community. Thirdly, the Bank upgraded the construction of rural financial service stations and village and towns outlets, and explored and conducted “rural revitalisation characteristic outlet” to further enhance the coverage of financial service. Fourthly, the Bank enriched the inclusive service channel in rural areas, strengthened the investment of smart service terminal and integrated banking and administration machine, deepened the construction of rural service caring stations, and reinforced the depth of financial service. Fifthly, the Bank continued to carry out financial literacy activities in rural areas, and further improved the effectiveness of promotional activities with reliance on physical network and online channel.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guangzhou Rural Commercial Bank Co., Ltd.

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

OPINION

What we have audited

The consolidated financial statements of Guangzhou Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 160 to 325, comprise:

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

Our opinion

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") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs; and
- Consolidation of structured entities.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses ("ECL") for loans and advances to customers and financial investments measured at amortized costs	
<p>Refer to note 2, note 3, note 20 and note 23 to the consolidated financial statements.</p> <p>As at 31 December 2021, the gross amount of Group's loans and advances to customers was RMB657,663 million, of which RMB565,901 million were measured at amortized cost and RMB91,762 million were measured at fair value through other comprehensive income. A loss allowance of RMB20,109 million was recognized for loans and advances to customers measured at amortized cost and a loss allowance of RMB20 million was recognized for loans and advances to customers measured at fair value through other comprehensive income in the Group's consolidated statement of financial position.</p> <p>The gross balance of financial investments measured at amortized costs amounted to RMB158,977 million, with a loss allowance of RMB1,572 million. The credit impairment losses on loans and advances to customers and financial investments measured at amortized costs recognized in the Group's consolidated income statement for the year ended 31 December 2021 amounted to RMB8,307 million and RMB631 million, respectively.</p>	<p>Our audit procedures relating to ECL for loans and advances to customers and financial investments measured at amortized cost are as follows:</p> <p>We assessed the inherent risk of material misstatement relating to ECL for loans and advances to customers and financial investments measured at amortized costs by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</p> <p>We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and financial investments measured at amortized costs, primarily including:</p> <ul style="list-style-type: none"> - The selection, approval and application of ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; - Internal controls relating to significant management judgments and assumptions over ECL models, including the review and approval of portfolio segmentation, model selections, parameters estimation, significant increase in credit risk, and defaults or credit-impaired, forward-looking measurement;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses (“ECL”) for loans and advances to customers and financial investments measured at amortized costs (continued)	
<p>The aforesaid credit impairment losses as at 31 December 2021 for the financial assets represented management’s best estimates of the ECL in accordance with International Financial Reporting Standard 9: Financial Instruments (“IFRS 9” or “the standard”).</p> <p>Following the requirements of IFRS 9, management applied ECL models and made the best estimation of ECL for loans and advances to customers and financial investments measured at amortized costs on the reporting date. The Group assesses whether the credit risk of loans and advances to customers and financial investments measured at amortized costs have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments measured at amortized costs classified into stages I and II, and all personal loans, management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments measured at amortized costs in stage III, management assesses loss allowance by estimating the cash flows from the loans and financial investments.</p> <p>The measurement models of ECL involve significant management estimations and judgments, primarily including the following:</p> <ul style="list-style-type: none"> – Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; 	<ul style="list-style-type: none"> – Internal controls over the accuracy and completeness of key inputs used by the models; – Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments measured at amortized cost in stage III; and – Internal controls over the information systems for model-based calculation. <p>The substantive procedures we performed primarily included:</p> <ul style="list-style-type: none"> – With our internal ECL modelling specialists’ assistance, we reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgments and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by the management; – We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management’s identification of significant increase in credit risk, defaults and credit-impaired;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses ("ECL") for loans and advances to customers and financial investments measured at amortized costs (continued)	
<ul style="list-style-type: none"> – Criteria for determining whether or not there was a significant increase in credit risk, or a default or credit-impaired incurred; – Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and – The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III. <p>Considering the material balances of loans and advances to customers and financial investments measured at amortized costs, significant management estimations and judgments, and complex models involved for impairment assessment, we identified this as a key audit matter.</p>	<ul style="list-style-type: none"> – With the support from our internal ECL modelling specialists, we assessed the forward-looking information in ECL models used by management, including reviewing management's selection of economic indicators, economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic scenarios' weightings; – We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness; and – For corporate loans and financial investments measured at amortized costs in stage III, we examined, on a sample basis, the reasonableness of the forecasted future cash flows prepared by management, including forecasted cash flow and discount rates, etc. from financial information of borrowers and guarantors, latest collateral valuations, and other available information. <p>Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of expected credit losses for loans and advances to customers and financial investments measured at amortized costs, the models, key parameters, significant judgment and assumptions adopted by management and the measurement results were considered acceptable.</p>
Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

<p>Refer to note 2, note 3 and note 40 to the consolidated financial statements.</p> <p>As at 31 December 2021, the Group has managed and invested in various structured entities, such as wealth management products, trust plans and asset management plans. The Group determined whether to consolidate these structured entities based on its assessment whether the Group has control, taking into consideration the power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the Group's control over structured entities involves significant judgment on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. The comprehensive analysis over these factors and the conclusion of the control in place or not, involved significant judgments and estimations. Due to the significance of the structured entities and the complexity of judgment exercised by management, consolidation of structured entities is considered a key audit matter.</p>	<p>Our procedures in relation to consolidation of structured entities included:</p> <ul style="list-style-type: none">– Understood the process and relevant controls over the assessment and disclosures of consolidation of structured entities;– Assessed the management's accounting policies about control and the application consistency of these accounting policies, which included the assessment of the Group's power, variable returns from its involvement with, and its ability to use its power to affect the amount of its return from structured entities;– Reviewed the relevant term sheets and the corresponding supporting documents on a sample basis to assess whether the Group had legal or constructive obligation to absorb any loss of the structured entities, and whether the Group has provided liquidity support or credit enhancement to the structured entities, so as to evaluate the Group's controls over the structured entities; and– Understood and evaluated the appropriateness of disclosures in the consolidated financial statements relating to structure entities. <p>Based on the procedures we have performed and the evidence obtained, we found the management's judgment on consolidation of structured entities was supportable.</p>
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INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Bank are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Year ended 31 December	
		2021	2020
Interest income	5	42,565,951	37,149,999
Interest expense	5	(23,006,795)	(19,502,516)
Net interest income		19,559,156	17,647,483
Fee and commission income	6	1,639,910	1,628,042
Fee and commission expense	6	(320,843)	(301,081)
Net fee and commission income		1,319,067	1,326,961
Net trading gains	7	2,042,793	1,976,684
Net gains on financial investments	8	343,932	361,338
Other income, gains or losses	9	215,584	(94,061)
Operating income		23,480,532	21,218,405
Operating expenses	10	(6,420,267)	(7,037,461)
Credit impairment losses	12	(12,540,167)	(7,851,759)
Impairment losses on other assets		(62,812)	(41,620)
Profit before income tax		4,457,286	6,287,565
Income tax expense	13	(680,993)	(1,010,948)
Profit for the year		3,776,293	5,276,617
Attributable to:			
Shareholders of the Bank		3,175,208	5,081,295
Non-controlling interests		601,085	195,322
		3,776,293	5,276,617
Earnings per share (RMB yuan)			
– basic and diluted	15	0.26	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Year ended 31 December	
	2021	2020
Profit for the year	3,776,293	5,276,617
Other comprehensive income (after tax, net)		
Items that may be reclassified to profit or loss		
Changes in the fair value of financial assets at fair value through other comprehensive income	97,298	(1,484,369)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income	262,484	89,612
Items that will not be reclassified to profit or loss		
Remeasurement (losses)/gains on defined benefit plans	(40,862)	25,677
Sub-total of other comprehensive income for the year	318,920	(1,369,080)
Total comprehensive income for the year	4,095,213	3,907,537
Total comprehensive income attributable to:		
Shareholders of the Bank	3,460,253	3,734,221
Non-controlling interests	634,960	173,316
	4,095,213	3,907,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and deposits with central bank	16	86,264,989	103,784,552
Deposits with banks and other financial institutions	17	20,275,410	25,012,864
Placements with banks and other financial institutions	18	33,951,904	21,711,156
Financial assets held under resale agreements	19	53,049,060	46,447,688
Loans and advances to customers	20	637,553,811	553,168,340
Financial investments			
– Financial assets at fair value through profit or loss	21	91,628,563	90,247,494
– Financial assets at fair value through other comprehensive income	22	65,205,249	75,677,332
– Financial assets at amortized cost	23	157,404,703	96,599,360
Property and equipment	24	2,750,899	2,937,590
Goodwill	25	734,237	734,237
Deferred tax assets	26	7,665,004	6,706,441
Other assets	27	5,144,797	4,844,592
Total assets		1,161,628,626	1,027,871,646
LIABILITIES			
Due to central bank		24,859,889	20,303,227
Deposits from banks and other financial institutions	28	36,226,681	41,229,918
Placements from banks and other financial institutions	29	1,331,545	1,818,581
Financial liabilities at fair value through profit or loss		5,619	5,052
Financial assets sold under repurchase agreements	30	32,359,979	10,070,054
Customer deposits	31	849,766,804	778,424,854
Income tax payable		1,344,407	1,919,918
Debt securities issued	32	108,033,562	76,643,876
Other liabilities	33	20,814,874	21,570,856
Total liabilities		1,074,743,360	951,986,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

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

	Note	31 December 2021	31 December 2020
EQUITY			
Share capital	34	11,451,269	9,808,269
Preference shares	35	9,820,734	9,820,734
Reserves	36	38,977,950	28,719,443
Retained earnings		19,777,351	21,138,630
<hr/>			
Equity attributable to shareholders of the Bank		80,027,304	69,487,076
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Non-controlling interests		6,857,962	6,398,234
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Total equity		86,885,266	75,885,310
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Total liabilities and equity		1,161,628,626	1,027,871,646

The consolidated financial statements were approved by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Cai Jian
Chairman

Li Yaguang
Chief Financial Officer

Ding Bin
Head of Financial Department

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Attributable to shareholders of the Bank								Non-Controlling interests	Total	
	Share capital Note 34	Preference shares Note 35	Reserves				Subtotal Note 36	Retained earnings			Total
			Capital reserve	Surplus reserve	General reserve	Other comprehensive income					
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310
Net profit for the year	-	-	-	-	-	-	-	3,175,208	3,175,208	601,085	3,776,293
Other comprehensive income for the year	-	-	-	-	-	285,045	285,045	-	285,045	33,875	318,920
Total comprehensive income	-	-	-	-	-	285,045	285,045	3,175,208	3,460,253	634,960	4,095,213
Contribution of shareholders	1,643,000	-	8,019,981	-	-	-	8,019,981	-	9,662,981	-	9,662,981
Transactions with non-controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	(33,614)	33,614	-
Shareholders' donation	-	-	18,526	-	-	-	18,526	-	18,526	6,238	24,764
Appropriation to surplus reserve	-	-	-	294,284	-	-	294,284	(294,284)	-	-	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(215,084)	(2,176,738)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	(606,264)	-	(606,264)
Appropriation to general reserve	-	-	-	-	1,674,285	-	1,674,285	(1,674,285)	-	-	-
Balance at 31 December 2021	11,451,269	9,820,734	18,957,883	5,350,061	14,618,358	51,648	38,977,950	19,777,351	80,027,304	6,857,962	86,885,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Attributable to shareholders of the Bank							Non-Controlling interests	Total		
	Share capital <i>Note 34</i>	Preference shares <i>Note 35</i>	Capital reserve	Surplus reserve	Reserves		Retained earnings				
					General reserve	Other comprehensive income				Subtotal <i>Note 36</i>	
Balance at 1 January 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311
Net profit for the year	-	-	-	-	-	-	-	5,081,295	5,081,295	195,322	5,276,617
Other comprehensive income for the year	-	-	-	-	-	(1,347,074)	(1,347,074)	-	(1,347,074)	(22,006)	(1,369,080)
Total comprehensive income	-	-	-	-	-	(1,347,074)	(1,347,074)	5,081,295	3,734,221	173,316	3,907,537
Capital contributed by non-controlling shareholders	-	-	-	-	-	-	-	-	-	6,000	6,000
Transactions with non-controlling interests	-	-	(2,534)	-	-	-	(2,534)	-	(2,534)	2,534	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,045,376	1,045,376
Shareholders' donation	-	-	35,121	-	-	-	35,121	-	35,121	12,764	47,885
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(204,375)	(2,166,029)
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(664,770)	(664,770)	-	(664,770)
Appropriation to general reserve	-	-	-	-	1,707,241	-	1,707,241	(1,707,241)	-	-	-
Balance at 31 December 2020	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Year ended 31 December	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,457,286	6,287,565
Adjustments for:			
Interest income on financial investments		(6,729,577)	(6,001,534)
Interest income accrued on impaired financial assets		(189,040)	(55,960)
Interest expense on debt securities	5	2,746,373	2,623,903
Net trading gains		(783,342)	(677,208)
Net gains on financial investments	8	(343,932)	(361,338)
Net foreign exchange gains		157,403	390,672
Negative goodwill	9	–	(76,229)
Net gains on disposal of property and equipment		(22,304)	(59,214)
Depreciation and amortization	10	877,508	876,705
Depreciation of investment properties		7,871	18,265
Interest expense on lease liabilities		53,343	54,696
Impairment losses		12,722,102	8,219,757
Others		1,407	21,069
		12,955,098	11,261,149
Net decrease/(increase) in operating assets:			
Balances with central bank		9,810,760	2,832,044
Deposits with banks and other financial institutions		7,519,289	153,402
Placements with banks and other financial institutions		(10,410,070)	(1,933,896)
Financial assets held under resale agreements		266,139	(4,874,187)
Loans and advances to customers		(92,710,540)	(89,285,997)
Increase in financial assets at fair value through profit or loss		(4,746,549)	(5,487,204)
Other assets		(684,539)	(1,025,449)
		(90,955,510)	(99,621,287)
Net increase/(decrease) in operating liabilities:			
Due to central bank		4,556,662	11,340,143
Deposits from banks and other financial institutions		(5,003,237)	25,273
Placements from banks and other financial institutions		(487,036)	840,907
Financial liabilities at fair value through profit or loss		567	5,052
Financial assets sold under repurchase agreements		22,289,925	337,699
Customer deposits		71,467,667	109,574,574
Other liabilities		(44,344)	(642,706)
		92,780,204	121,480,942
Net cash flows from operating activities before tax		14,779,792	33,120,804
Income tax paid		(2,334,748)	(2,612,528)
Net cash flows from operating activities		12,445,044	30,508,276

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Year ended 31 December 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(450,910)	(471,317)
Proceeds from disposal of property and equipment and other long-term assets		56,325	80,433
Cash paid for investments		(156,368,574)	(127,503,038)
Proceeds from sale and redemption of investments		105,912,196	105,712,498
Acquisition of subsidiaries		–	1,289,955
Return on investments		7,224,993	8,418,369
Net cash flows used in investing activities		(43,625,970)	(12,473,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		9,662,981	–
Capital contributed by non-controlling shareholders		–	6,000
Transactions with non-controlling interests		–	(2,445)
Shareholders' donation		24,711	31,525
Proceeds from debt securities issued		169,501,311	140,968,279
Repayment of debt securities issued		(138,259,664)	(143,140,563)
Interest paid on debt securities		(2,598,334)	(3,047,798)
Dividends paid on ordinary shares		(1,961,654)	(1,961,654)
Dividends paid to preference shares		(606,264)	(664,770)
Payment for lease contracts		(305,754)	(371,206)
Dividends paid to non-controlling shareholders		(215,084)	(204,375)
Net cash flows from/(used in) financing activities		35,242,249	(8,387,007)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,061,323	9,648,169
Cash and cash equivalents at the beginning of the year		95,700,856	86,870,896
Effect of exchange rate changes on cash and cash equivalents		(220,904)	(818,209)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38	99,541,275	95,700,856
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		38,328,946	34,321,172
Interest paid		(15,996,383)	(13,404,969)

The accompanying notes from an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the “Bank”), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the “Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd.” (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the “CBRC”, which was renamed to China Banking Insurance Regulatory Commission (the “CBIRC”) in 2018), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from the CBIRC and its business license of Unified Social Credit code No.914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The registered office is located at No.9 Yingri Road, Huangpu District, Guangzhou, China.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the “Group”) conducts its operating activities in China.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currencies), granting short, medium and long-term loans (including domestic and foreign currencies), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, fund and insurance assets trusteeship, financing services, fund consignment business, e-bank services, securitization of credit assets, and other financial business activities approved by the CBIRC or other relevant regulators.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on 31 March 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 31 December 2021, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China. All subsidiaries are Limited companies. The details of the Bank’s subsidiaries as at 31 December 2021 are as follows:

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December	31 December	31 December	31 December	31 December	31 December	
		2021	2020	2021	2020	2021	2020	
Laiwu Zhujiang County Bank	Laiwu, Shandong Province	60,000	60,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank	Xuyi, Jiangsu Province	100,000	50,000	75.50%	51.00%	75.50%	51.00%	Banking
Jiangsu Qidong Zhujiang County Bank	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank	Meishan, Sichuan Province	100,000	100,000	62.50%	62.50%	70.50%	70.50%	Banking
Xinjin Zhujiang County Bank (i)	Xinjin, Sichuan Province	100,000	100,000	35.00%	35.00%	53.00%	53.00%	Banking
Guanghan Zhujiang County Bank (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank	Dalian Bonded Area, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking
Jizhou Zhujiang County Bank (i)	Jian, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	
Heshan Zhujiang County Bank (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	71.00%	71.00%	Banking
Beijing Mentougou Zhujiang County Bank	Mentougou District, Beijing	315,000	100,000	84.44%	51.00%	84.44%	51.00%	Banking
Xinyang Zhujiang County Bank (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking
Qingdao Chengyang Zhujiang County Bank (i)	Chengyang District, Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank	Wuzhong District, Suzhou, Jiangsu	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank (i)	Dongfeng, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank (i)	Meizhou, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank (i)	Zhengzhou, Henan Province	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1 CORPORATE INFORMATION AND STRUCTURE (CONTINUED)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	
Zhuzhou Zhujiang Rural Commercial Bank ("ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	61.00%	61.00%	Banking
Chaozhou Rural Commercial Bank (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	74.38%	74.38%	Banking
Nanxiong Rural Commercial Bank (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	1,373,718	50.10%	50.10%	50.10%	50.10%	Banking
Zhujiang Financial Leasing Co., Ltd.	Guangzhou, Guangdong Province	1,500,000	1,000,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

- (i) The Bank holds less than majority equity interests in these subsidiaries. In accordance with the agreements to act in concert entered into by the Bank and other non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank has controls over these subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared on an accrual basis and under the historical cost convention except for financial assets/liabilities at fair value through profit or loss and other comprehensive income that have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

When the Bank has less than majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other voting right holders of the investee;
- (b) Rights arising from other contractual arrangements; and
- (c) The Group's voting rights and potential voting rights.

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership of a subsidiary without a loss of control, is accounted for as equity transaction. Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognises the carrying amount of any non-controlling interest;
- (c) derecognises the cumulative translation differences recorded in equity;
- (d) recognises the fair value of the consideration received;
- (e) recognises the fair value of any investment retained;
- (f) recognises any resulting surplus or deficit in profit or loss; and
- (g) reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated statement of profit or loss, and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the parent company. An acquisition of non-controlling interests is accounted for as an equity transaction.

2.2 Standards, amendments and interpretations effective in 2021

On 1 January 2021, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but is not yet effective.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Standards, amendments and interpretations effective in 2021 (continued)

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

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021

		Effective for annual periods beginning on or after
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 IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (continued)

IFRS 17

IFRS 17 was issued as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (continued)

Amendments to IAS 1 (continued)

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (continued)

Amendments to IAS 12

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (continued)

Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021 (continued)

Annual Improvements to IFRS Standards 2018–2020

The following improvements were finalised in 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a ‘business’ (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s interests in the associate or joint venture. The amendments apply prospectively.

The Group is assessing the impact of adopting the above standards and amendments. Currently the adoption of the above is expected not to have a material impact on the Group’s consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies

2.4.1 Foreign currency translation

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

2.4.2 Financial instruments

2.4.2.1 Financial assets and financial liabilities

(1) Recognition and derecognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. When financial assets are purchased in a regular way or sold out, they are recognised on trade-date. Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and the transfer satisfies the new financial instrument guidelines for the derecognition of financial assets. When the current obligations of financial liabilities have been discharged, the Group derecognizes the financial liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(1) Recognition and derecognition (continued)

Modification of financial assets

The Group sometimes renegotiates or otherwise modifies financial assets' contract which will change the contractual cash flows of financial assets. When this happens, the Group assessed whether or not the new items are substantially different to the original terms.

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

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group remeasures the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is remeasured by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). In assessing whether the credit risk of the relevant financial assets has increased significantly, the Group compares the risk of default on the statement of financial position based on the changed contract terms with the risk of default based on the original contract terms at initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(1) Recognition and derecognition (continued)

Derecognition other than on a modification

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

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

- (i) has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) is prohibited from selling or pledging the assets; and
- (iii) has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Group retains a subordinated residual interest.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement

At initial recognition, the Group measures financial assets or financial liabilities at its fair value plus or minus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When there is a difference between the fair value and the transaction cost at the initial recognition of a financial asset or financial liability, the Group distinguishes between the following:

- (a) At initial recognition, the fair value of a financial asset or financial liability is determined based on the quotation of the same asset or liability in an active market or valuation techniques using only observable market data, the difference between the fair value and the transaction cost is recognised as a gain or loss.
- (b) In the initial recognition, if the fair value of financial assets or financial liabilities is determined in other ways, the difference between the fair value and the transaction cost is deferred. After the initial recognition, the deferred difference is recognised as the gain or loss of the corresponding accounting period based on the degree of change in a factor in the corresponding accounting period. This factor should be limited to factors that market participants will consider when pricing the financial instrument, including time.

Fair value

Fair value refers to the price that a market participant can receive from sell an asset or transfer a liability in an orderly transaction that occurs on the balance sheet date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. At the time of valuation, the Group adopts valuation techniques that are applicable under current circumstances and that are sufficiently supported by data and other information, and inputs that are consistent with the characteristics of assets or liabilities considered by market participants in transactions in related assets or liabilities. These valuation techniques maximise the use of observable market data where it is available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Financial assets

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

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

Amortized cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and government and corporate bonds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

Classification and subsequent measurement of debt instruments depend on:

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

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

- (i) Amortized cost;
- (ii) Fair value through other comprehensive income (FVOCI); or
- (iii) Fair value through profit or loss (FVPL).

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. Factors considered by the Group in determining the business model of a set of financial assets include how the cash flows of the Group were collected in the past, how the Group's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers are paid.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by expected credit losses allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains on financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Debt instruments (continued)

The Group reclassifies debt investments if and only if its business model for managing those assets changes. The reclassification takes place from the beginning of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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

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

Equity instruments

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

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as Net trading gains when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the statement of profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(2) Classification and measurement (continued)

Financial liabilities

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

(3) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.2 Financial instruments (continued)

2.4.2.1 Financial assets and financial liabilities (continued)

(4) Offset

The Group shows financial assets and financial liabilities separately in the statement of financial position and may not offset each other, except for:

- (i) The Group has a statutory right to offset the confirmed amount and the legal right is now enforceable;
- (ii) The Group plans to settle the net assets or realize the financial assets and liquidate the financial liabilities at the same time.

2.4.2.2 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss allowance (calculated as described in Note 2.4.2.1(3)); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the ECL allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the ECL allowance is recognised as a provision. However, for contracts that include both a loan and an unused commitment and the Group cannot separately identify provision of unused commitment component from the loan component, the ECL on the unused commitment are recognised together with the ECL allowance for the loan. Provided that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as provisions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.3 Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

2.4.4 Reverse repurchase and repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

2.4.5 Property and equipment

Property and equipment, other than construction in progress are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the actual costs of construction. These costs comprise various direct construction costs during the period of construction and other related expenditures. When an asset under construction is ready for its intended use, it is reclassified to fixed assets, intangible assets or other assets, and depreciation or amortization is provided for according to corresponding policies. Construction in progress is not depreciated until the construction is completed and the asset is ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.5 Property and equipment (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 20 years	0%–5%	4.75%–9.50%
Leasehold improvements	Over the shorter of the useful economic lives and remaining lease terms		
Office equipment	3 to 5 years	0%–5%	19.00%–31.67%
Motor vehicles	3 to 5 years	0%–5%	19.00%–31.67%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

2.4.6 Land use rights

Land use rights are right-of-use assets and are recognised at cost, which is the consideration paid. The rights are amortized using the straight-line basis over the period of the leases.

2.4.7 Foreclosed assets

Foreclosed assets are initially recognised at fair value and subsequently measured at the lower of their carrying amount and fair value less costs to sell, at the end of each reporting period. When the fair value less costs to sell is lower than a foreclosed asset's carrying amount, an impairment loss is recognised in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated statements of profit or loss in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.8 Intangible assets (other than goodwill)

The Group's intangible assets mainly comprise computer software.

Intangible assets are initially measured at cost and recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost can be reliably measured. Otherwise, they are recognised in the statement of profit or loss in the period in which they occur.

Upon an intangible asset becoming ready for its intended use, the costs less estimated residual value and any impairment losses are amortized over its estimated useful life on the straight-line basis.

The useful lives of the Group's intangible assets are from 2 years to 10 years. The amortization rates of the Group's intangible assets are between 10% and 50%.

The useful life and the amortization method for intangible assets with finite useful lives are reviewed at the end of each reporting period. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is adjusted accordingly as change of accounting estimate.

2.4.9 Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group mainly include leased buildings.

Investment property is recognised only when it is probable that economic benefits associated with the property will flow to the Group and the cost of the property can be reliably measured.

Investment properties are initially and subsequently measured using the cost method. Depreciation is calculated using the straight-line method.

	Estimated useful life	Estimated residual value	Annual depreciation rate
Properties and buildings	10 to 20 years	5%	4.75%–9.50%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.10 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either: (a) fair value; or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.10 Business combination and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

2.4.12 Asset impairment

Impairment losses on assets except for deferred tax assets and financial assets are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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/amortization, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. After such a reversal, the depreciation/amortization 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.13 Cash and cash equivalents

Cash and cash equivalents refer to short-term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions, Financial assets held under resale agreements and debt securities with original maturity of less than three months.

2.4.14 Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the each year is significant, the Group will present them at their present value.

(a) Statutory defined contribution plans

In accordance with the relevant laws and regulations, the employees of the Group participate in basic pension insurance and unemployment insurance schemes administered by the local government authorities. The Group calculates and contributes to the local government agencies under the above pension and insurance schemes using applicable contribution bases and rates stipulated in the relevant local regulations in the period the employees provide their services to the Group. Contributions to these plans are recognised in the statement of profit or loss as incurred.

(b) Retirement benefit annuity plan

In addition to the basic pension insurance scheme, employees and early retirees of the Group also participate in a defined contribution plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to the statement of profit or loss when it incurs. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.14 Employee benefits (continued)

(c) Supplemental retirement benefits

The Group pays supplemental retirement benefits to the retirees, including supplemental pension payments and medical expense coverage. The liability related to the supplemental retirement benefit obligations as at each financial reporting date is calculated by the Group using the projected unit credit method and is recorded as a liability under "Employee benefit obligations" in the statement of financial position. The present value of the liability is determined by discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefits are recognised in "Other comprehensive income" in the period when they occur. The gains or losses arising from amendments to supplemental retirement benefit obligations are recognised in the statement of profit or loss in the period when they occur.

(d) Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the statement of profit or loss as they occur.

2.4.15 Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.15 *Fiduciary activities (continued)*

The Group grants the entrusted loans on behalf of the trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The risk of loss is borne by those trustors. The Group charges a commission related to its activities in connection with entrusted loans which is recognised ratably over the period in which the service is provided.

2.4.16 *Recognition of income and expense*

(a) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets measured at amortized cost or fair value through other comprehensive income, except for:

- POCI financial assets, for which the original credit adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'Stage III'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit losses allowance).

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and interest paid or received that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.16 Recognition of income and expense (continued)

(b) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers.

The Group recognizes revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (thus the customer obtains control of that good or service).

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(d) *Net trading income*

Net trading income arising from trading activities include gains and losses from changes in fair value for financial assets at fair value through profit or loss.

2.4.17 Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each year.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.17 Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.18 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.18 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.19 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

2.4.21 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Group's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Group. Dividends for the years ended 2021 and 2020 approved after the end of the year are disclosed as a post year-end event after the year. As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

2.4.22 Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective. Examples of structured entities include asset-backed securities, funds, wealth management products, trust plans and asset management plans. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products managed by the Group and the structured entities invested by the Group (Note 40).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Summary of significant accounting policies (continued)

2.4.23 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives the grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives the grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. If the fair value cannot be measured reliably, the grants are recorded at the nominal amount of the non-monetary assets. When the grant relates to an expense item, where the grant is intended to compensate the expenses or costs to be incurred in the subsequent period, it is recognised as deferred income and is released to the statement of profit or loss over the periods that the costs, which it is intended to compensate, are expensed; while where the grant is intended to compensate the incurred expenses or costs, the grant is recognised in the statement of profit or loss in the current period. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments. Grants recorded at nominal amount shall be recognised in the statement of profit or loss in the current period.

2.4.24 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. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgments and made assumptions of the effects of uncertain future events on the financial statements. The most significant judgments and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.1 Expected credit losses measurement

The measurement of the expected credit losses allowance for financial assets measured at amortized cost and FVOCI, financial guarantee contracts and loan commitments is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers' defaulting and the resulting losses).

The measurement models of expected credit losses involves significant management estimations and judgments, primarily including the following:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss incurred;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- The estimated future cash flows for corporate loans and financial investments measured at amortized costs in stage III.

3.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. These valuation techniques include the use of observable inputs and data with consistent characteristics of assets or liabilities in the transaction of related assets or liabilities. To the extent practical market observable inputs and data, such as interest rate yield curves, foreign currency rates, commodity price and implied option volatilities, are prioritized to use when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using unobservable inputs and data, such as assumption on the credit risk, volatilities and credit of the counterparty. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.3 Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues arising from new tax regulations or other uncertain tax arrangements based on estimates of whether additional taxes will be due. The deductibility of certain items is subject to tax authority's final approval. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will affect the current income taxes and levies and/or deferred tax provisions in the period in which such determination is made.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.4 Early retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities of early retirement benefits and supplementary retirement benefits shall be determined based on various assumptions. These assumptions include the discount rate, the growth rate of average medical expenses, the growth rate of benefits for retirees and other factors. Although the management believes that the assumptions which have been adopted are reasonable, the actual empirical values and the changes in the assumptions will still affect the costs and liabilities of the early retirement benefits and supplementary retirement benefits of the Bank.

3.5 Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the "CGU"), or groups of CGUs. The Group forecasts future cash flow of the CGU and CGUs, and applies appropriate discount rate for the calculation of the present value of future cash flow.

3.6 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgment on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

4 OPERATING SEGMENT INFORMATION

4.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary tradings and agent services including money market placements, investments, repurchases and foreign exchange transactions.

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is made in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2021					
Interest income	22,636,704	9,884,317	10,044,930	-	42,565,951
Interest expense	(7,910,309)	(8,972,280)	(6,124,206)	-	(23,006,795)
Inter-segments interest (expense)/income	(3,761,193)	6,268,100	(2,506,907)	-	-
Net interest income	10,965,202	7,180,137	1,413,817	-	19,559,156
Fee and commission income	950,170	565,438	124,302	-	1,639,910
Fee and commission expense	(151,807)	(150,595)	(18,441)	-	(320,843)
Net fee and commission income	798,363	414,843	105,861	-	1,319,067
Net trading gains	-	-	2,042,793	-	2,042,793
Net gains on financial investments	-	-	343,932	-	343,932
Other income, gains or losses	(158,391)	(2,952)	(181)	377,108	215,584
Operating income	11,605,174	7,592,028	3,906,222	377,108	23,480,532
Operating expenses	(2,106,988)	(3,658,692)	(458,270)	(196,317)	(6,420,267)
Credit impairment losses	(6,636,830)	(1,596,991)	(4,211,444)	(94,902)	(12,540,167)
Impairment losses on other assets	(33,243)	(7,999)	(21,095)	(475)	(62,812)
Profit before tax	2,828,113	2,328,346	(784,587)	85,414	4,457,286
Income tax expense					(680,993)
Profit for the year					3,776,293
Other segment information:					
Depreciation and amortization	289,212	516,640	59,348	20,179	885,379
Capital expenditure	110,130	209,334	20,363	6,775	346,602
As at 31 December 2021					
Segment assets	386,909,318	165,865,349	594,074,328	14,779,631	1,161,628,626
Segment liabilities	(402,671,005)	(480,796,181)	(190,799,901)	(476,273)	(1,074,743,360)
Other segment information:					
Credit commitments	184,804,846	34,755,253	-	-	219,560,099

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.1 Operating segments (continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Year ended 31 December 2020					
Interest income	20,887,050	8,316,132	7,946,817	-	37,149,999
Interest expense	(7,515,971)	(7,510,302)	(4,476,243)	-	(19,502,516)
Inter-segments interest (expense)/income	(2,559,361)	5,629,498	(3,070,137)	-	-
Net interest income	10,811,718	6,435,328	400,437	-	17,647,483
Fee and commission income	965,923	539,275	122,844	-	1,628,042
Fee and commission expense	(149,314)	(129,332)	(22,435)	-	(301,081)
Net fee and commission income	816,609	409,943	100,409	-	1,326,961
Net trading gains	-	-	1,976,684	-	1,976,684
Net gains on financial investments	-	-	361,338	-	361,338
Other income, gains or losses	(393,868)	(8,596)	(598)	309,001	(94,061)
Operating income	11,234,459	6,836,675	2,838,270	309,001	21,218,405
Operating expenses	(2,271,858)	(4,183,494)	(402,452)	(179,657)	(7,037,461)
Credit impairment losses	(4,006,609)	(492,986)	(3,351,177)	(987)	(7,851,759)
Impairment losses on other assets	(21,238)	(2,613)	(17,764)	(5)	(41,620)
Profit before tax	4,934,754	2,157,582	(933,123)	128,352	6,287,565
Income tax expense					(1,010,948)
Profit for the year					5,276,617
Other segment information:					
Depreciation and amortization	286,390	545,932	44,749	17,899	894,970
Capital expenditure	148,622	284,460	26,860	11,375	471,317
As at 31 December 2020					
Segment assets	376,091,693	140,912,981	497,563,719	13,303,253	1,027,871,646
Segment liabilities	(383,960,378)	(415,096,700)	(152,631,325)	(297,933)	(951,986,336)
Other segment information:					
Credit commitments	179,256,319	25,169,787	-	-	204,426,106

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

4 OPERATING SEGMENT INFORMATION (CONTINUED)

4.2 Geographic information

The Bank mainly operates in Guangdong Province, China. The major customers and non-current assets are located in Guangdong Province, China.

5 NET INTEREST INCOME

	Year ended 31 December	
	2021	2020
Interest income		
Loans and advances to customers	32,481,755	27,856,038
Financial investments	6,729,577	6,001,534
– Financial assets at amortized cost	4,425,668	3,225,959
– Financial assets at fair value through other comprehensive income	2,303,909	2,775,575
Financial assets held under resale agreements	919,818	886,216
Due from central bank	1,102,134	1,086,314
Deposits with banks and other financial institutions	1,332,667	1,319,897
Subtotal	42,565,951	37,149,999
Interest expense		
Customer deposits	(17,760,620)	(14,981,538)
Debt securities issued	(2,746,373)	(2,623,903)
Deposits from banks and other financial institutions	(1,250,124)	(1,022,058)
Borrowings from other banks (i)	(427,705)	(322,417)
Due to central bank	(425,552)	(369,401)
Financial assets sold under repurchase agreements	(343,078)	(128,503)
Lease liabilities	(53,343)	(54,696)
Subtotal	(23,006,795)	(19,502,516)
Net interest income	19,559,156	17,647,483
Including:		
Interest income accrued on impaired financial assets	189,040	55,960

- (i) The interest expenses for the long-term and short-term borrowings from other banks were incurred by Zhujiang Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

6 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2021	2020
Fee and commission income:		
Agency and custodian service fees	347,514	440,659
Syndicate loan fees	292,391	142,421
Bank card fees	232,322	250,336
Guarantee and commitment service fees	191,620	182,623
Settlement and electronic channel business fees	181,997	170,065
Wealth management product related fee income	124,290	122,854
Financial lease business fees	77,767	63,371
Advisory and consultancy fees	44,563	61,630
Foreign exchange business fees	16,837	38,516
Others	130,609	155,567
Subtotal	1,639,910	1,628,042
Fee and commission expense:		
Bank card fees	(71,796)	(75,839)
Settlement and electronic channel business fees	(23,968)	(23,130)
Others	(225,079)	(202,112)
Subtotal	(320,843)	(301,081)
Net fee and commission income:	1,319,067	1,326,961

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

7 NET TRADING GAINS

	Year ended 31 December	
	2021	2020
Debt securities:		
Unrealised losses from debt securities	(807,828)	(1,220,127)
Realised gains from debt securities	2,151,197	2,668,840
Subtotal	1,343,369	1,448,713
Funds:		
Unrealised gains from funds	54,142	11,887
Realised gains from funds	642,931	513,735
Subtotal	697,073	525,622
Others	2,351	2,349
Total	2,042,793	1,976,684

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

8 NET GAINS ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2021	2020
Net gains from financial assets at fair value through other comprehensive income	338,344	358,988
Net gains from financial assets at amortized cost	5,588	2,350
Total	343,932	361,338

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

9 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2021	2020
Government grants and subsidies	296,303	122,857
Net foreign exchange losses	(157,403)	(390,672)
Net gains on disposal of property and equipment	25,954	67,128
Penalties and compensation	5,542	1,964
Net losses on sale of foreclosed assets	(3,650)	(7,914)
Negative goodwill	–	76,229
Others	48,838	36,347
Total	215,584	(94,061)

10 OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
Staff costs (i)	3,942,372	4,432,541
Depreciation and amortization (ii)	877,508	876,705
Tax and surcharges	296,879	258,701
Labor dispatch fee	50,556	67,304
Consulting fees	25,377	12,755
Professional service fees	20,852	21,578
Others	1,206,723	1,367,877
Total	6,420,267	7,037,461

(i) Staff costs

	Year ended 31 December	
	2021	2020
Salaries, bonuses and allowances	2,482,594	3,319,568
Social insurance, employee benefits, etc.	1,225,768	1,039,270
Benefits for early retirement and supplemental retirement	234,010	73,703
Total	3,942,372	4,432,541

- (ii) Rent concessions totalling RMB452 thousand have been accounted for as negative variable lease payments and recognised in operating expenses in the statement of profit or loss for the year ended 31 December 2021 (31 December 2020: RMB1,081 thousand), with a corresponding adjustment to the lease liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	Year ended 31 December 2021				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Chairman					
Cai Jian (i)	–	853	108	148	1,109
Vice Chairman					
Yi Xuefei	–	853	108	148	1,109
Independent Directors					
Zhang Hua (ii)	370	–	–	–	370
Liao Wenyi (iii)	296	–	–	–	296
Tan Jinsong (ii)	276	–	–	–	276
Du Jinmin (ii)	255	–	–	–	255
Ma Hok Ming (iii)	196	–	–	–	196
Song Guanghui (iv)	39	–	–	–	39
Liu Heng (iv)	39	–	–	–	39
Zheng Jianbiao (iv)	29	–	–	–	29
Liu Shaobo (iv)	29	–	–	–	29
Directors					
Zhang Jian	–	810	107	148	1,065
Zhuang Yuemin (ii)	137	–	–	–	137
Zhang Junzhou (ii)	122	–	–	–	122
Feng Yaoliang (ii)	118	–	–	–	118
Lai Zhiguang (ii)	110	–	–	–	110
Feng Kaiyun (ii)	104	–	–	–	104
Yuan Xiaoyi (vi)	55	–	–	–	55
Zhu Kelin (iv)	15	–	–	–	15
Su Zhigang (iv)	10	–	–	–	10
Liu Guojie (iv)	10	–	–	–	10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (continued)

Name	Year ended 31 December 2021				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Supervisors					
He Heng	–	1,698	108	146	1,952
Lai Jiaxiong	–	1,486	108	148	1,742
Wang Xigui	–	810	107	148	1,065
Feng Jintang (v)	119	–	–	–	119
Liang Bingtian (v)	110	–	–	–	110
Zhang Gang (v)	101	–	–	–	101
Huang Yong (vii)	12	–	–	–	12
External Supervisors					
Shi Shuiping (v)	128	–	–	–	128
Zhan Liyuan (v)	107	–	–	–	107
Han Zhenping (v)	104	–	–	–	104
Mao Yunshi (vii)	15	–	–	–	15
Shao Baohua (vii)	10	–	–	–	10
Chen Dan (vii)	10	–	–	–	10
Total	2,926	6,510	646	886	10,968

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

Name	Year ended 31 December 2020				Total
	Fees	Salaries	Allowances and benefits	Contribution to pension schemes	
Vice Chairman					
Yi Xuefei	–	1,147	66	161	1,374
Independent Directors					
Yung Hin Man Raymond (viii)	–	–	–	–	–
Liu Shaobo	213	–	–	–	213
Liu Heng	236	–	–	–	236
Song Guanghui	227	–	–	–	227
Zheng Jianbiao	220	–	–	–	220
Directors					
Zhang Jian	–	945	66	161	1,172
Li Fangjin (ix)	6	–	–	–	6
Su Zhigang	63	–	–	–	63
Zhu Kelin	124	–	–	–	124
Liu Guojie	63	–	–	–	63
Supervisors					
Huang Yong	99	–	–	–	99
Wang Xigui	–	945	66	161	1,172
Zhang Dalin (x)	10	–	–	–	10
Lai Jiaxiong	–	1,704	66	148	1,918
He Heng	–	1,724	66	151	1,941
External Supervisors					
Chen Dan	87	–	–	–	87
Shao Baohua	93	–	–	–	93
Mao Yunshi	120	–	–	–	120
Total	1,561	6,465	330	782	9,138

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows (continued):

- (i) Cai Jian was appointed as the Chairman of the Bank from 30 March 2021.
- (ii) Zhang Hua, Tan Jinsong, Du Jinming, Zhuang Yuemin, Zhang Junzhou, Feng Yaoliang, Lai Zhiguang and Feng Kaiyun were appointed as the directors of the Bank from 18 March 2021.
- (iii) Liao Wenyi and Ma Hok Ming were appointed as the directors of the Bank from 29 July 2021.
- (iv) Song Guanghui, Liu Heng, Zheng Jianbiao, Liu Shaobo, Zhu Kelin, Su Zhigang and Liu Guojie retired as the directors of the Bank from 18 March 2021.
- (v) Feng Jintang, Liang Bingtian, Zhang Gang, Shi Shuiping, Zhan Liyuan and Han Zhenping were appointed as the supervisors of the Bank from 23 February 2021.
- (vi) Yuan Xiaoyi was appointed as the director of the Bank on 18 March 2021 and ceased to act as the director of the Bank on 10 September 2021.
- (vii) Huang Yong, Mao Yunshi, Shao Baohua and Chen Dan retired as the supervisors of the Bank from 23 February 2021.
- (viii) Yung Hin Man Raymond ceased to act as the director of the Bank from 14 January 2020.
- (ix) Li Fangjin ceased to act as the director of the Bank from 27 September 2020.
- (x) Zhang Dalin ceased to act as the supervisor of the Bank from 10 March 2020.

(b) Five highest paid individuals

For the year ended 31 December 2021, the five highest paid individuals of the Group comprised no directors nor supervisors. For the year ended 31 December 2020, the five highest paid individuals of the Group comprised one supervisor.

The emoluments of the five highest paid individuals for the years are as follows:

	Year ended 31 December	
	2021	2020
Basic salaries, housing allowances, share options, other allowances and benefits in kind	11,128	12,360
Contribution to pension scheme	693	795
Discretionary bonuses	–	–
Inducement fee to join or upon joining the Group	–	–
Compensation for loss of office:		
– contractual payments	–	–
– other payment	–	–
Total	11,821	13,155

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

11 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals (continued)

The emoluments of the five highest paid individuals for the years are as follows (continued):

	Number of Individuals Year ended 31 December	
	2021	2020
RMB500,001 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	1
RMB2,000,001 – RMB2,500,000	4	–
RMB2,500,001 – RMB3,000,000	1	4
Total	5	5

For the years ended 31 December 2021 and 2020, no emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Loans and advances to customers		
– Loans and advances to customers at amortized cost	8,307,154	4,061,628
– Impairment gains on assets(i)	(119,123)	(326,378)
– Loans and advances to customers at fair value through other comprehensive income	12,275	360,883
Financial investments	1,260,759	574,517
Off-balance sheet activities	3,042,267	2,577,608
Deposits with banks and other financial institutions	(179)	311,929
Placements with banks and other financial institutions	10,702	276,542
Others	26,312	15,030
Total	12,540,167	7,851,759

(i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

13 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
Current income tax	1,759,237	2,224,931
Deferred income tax	(1,078,244)	(1,213,983)
Total	680,993	1,010,948

As Xinjin Zhujiang County Bank meets the conditions as pronounced by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on the continuation of the income tax policy for the western development (Announcement No. 23 of 2020), its income tax is calculated based on the rate of 15% of the taxable income.

Except for Xinjin Zhujiang County Bank, income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2021	2020
Profit before income tax	4,457,286	6,287,565
Tax calculated at a tax rate of 25%	1,114,322	1,571,891
Difference in preferential tax rates	(3,111)	–
Tax effect arising from income not subject to tax (i)	(765,575)	(603,824)
Tax effect of expenses that are not deductible for tax purposes (ii)	78,168	55,920
Adjustments on income tax for prior years which affect current profit or loss	257,189	(13,039)
Income tax expense	680,993	1,010,948

- (i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.
- (ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which are not deductible for tax purposes according to PRC tax regulations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

14 DIVIDENDS

	Year ended 31 December	
	2021	2020
Dividends on ordinary shares declared and paid: Dividend per share (in RMB yuan)	1,961,654 0.20	1,961,654 0.20
Dividends on preference shares declared	606,264	664,770

(a) Distribution of final dividend for 2020

A cash dividend of RMB0.2 per ordinary share related to 2020, amounting to RMB1,961,654 thousand in total was approved in the annual general meeting held on 8 June 2021.

The above dividend was recognized as distribution and paid during the year ended 31 December 2021.

(b) Distribution of preference dividend

A cash dividend for preference share, amounting to RMB606,264 thousand in total was approved by the board of directors on 30 April 2021.

The above dividend was recognized as distribution and paid during the year ended 31 December 2021.

15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding in issue during the years.

	Year ended 31 December	
	2021	2020
Net profit attributable to ordinary shareholders of the Bank (in RMB thousand)	3,175,208	5,081,295
Less: Distribution for the year attributable to preference shareholders of the Bank	(606,264)	(664,770)
Net profit for the year attributable to ordinary shareholders of the Bank	2,568,944	4,416,525
Divided: Weighted average number of ordinary shares in issue (in thousand)	9,858,855	9,808,269
Basic and diluted earnings per share (in RMB yuan)	0.26	0.45

During the years 2021 and 2020, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur in the year ended 31 December 2021, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

16 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 31 December	
	2021	2020
Cash on hand	3,760,436	3,786,547
Mandatory reserves with central bank (a)	54,400,714	63,308,030
Surplus reserves with central bank (b)	27,873,445	35,565,294
Fiscal deposits with central bank	230,394	1,133,838
Subtotal	86,264,989	103,793,709
Less:		
ECL allowance	–	(9,157)
Total	86,264,989	103,784,552

(a) The Group is required to place mandatory reserve deposits with the PBOC, and these mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2021, the ratio of the Bank for RMB deposits statutory reserve was 6.5% (31 December 2020: 8.5%), and different ratios are applicable to the subsidiaries based on their respective locations. The ratio for foreign currency deposits was 9% (31 December 2020: 5%). The reserves for RMB is interest bearing based on the rules of the PBOC.

(b) Surplus reserves are mainly for settlement purpose.

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Deposits with banks operating in Mainland China	13,021,140	16,382,471
Deposits with other financial institutions operating in Mainland China	1,101,759	2,033,914
Deposits with banks operating outside Mainland China	6,135,895	6,835,460
Interest receivable	43,727	91,965
Subtotal	20,302,521	25,343,810
Less:		
ECL allowance	(27,111)	(330,946)
Total	20,275,410	25,012,864

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

18 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Placements with banks operating in Mainland China	837,096	1,271,494
Placements with other financial institutions operating in Mainland China	29,692,170	19,729,799
Placements with banks operating outside Mainland China	3,667,892	947,549
Interest receivable	49,033	45,899
Subtotal	34,246,191	21,994,741
Less:		
ECL allowance	(294,287)	(283,585)
Total	33,951,904	21,711,156

19 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2021	2020
Securities purchased under resale agreements	53,004,710	46,406,422
Interest receivable	44,350	45,520
Subtotal	53,049,060	46,451,942
Less:		
ECL allowance	–	(4,254)
Total	53,049,060	46,447,688

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 31 December	
	2021	2020
Loans and advances at amortised cost		
Corporate loans and advances		
– Corporate loans	407,026,690	379,857,495
– Discounted bills	444,538	1,868,222
	407,471,228	381,725,717
Personal loans and advances		
– Personal residential mortgages	73,343,811	67,439,751
– Personal business loans	65,285,621	54,466,750
– Personal consumption loans	10,051,295	9,508,812
– Credit cards overdraft	9,748,738	8,916,488
	158,429,465	140,331,801
Gross amount of loans and advances at amortised cost	565,900,693	522,057,518
Less: ECL allowance of loans and advances at amortised cost	(20,109,119)	(15,757,830)
Net amount of loans and advances at amortised cost	545,791,574	506,299,688
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills	91,762,237	46,868,652
Net amount of loans and advance to customers	637,553,811	553,168,340

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance

	As at 31 December 2021				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	338,827,887	42,298,823	26,315,208	29,310	407,471,228
Personal loans	154,981,805	1,865,832	1,513,970	67,858	158,429,465
	493,809,692	44,164,655	27,829,178	97,168	565,900,693
Less: ECL allowance					
– Corporate loans	(2,845,586)	(3,644,029)	(10,057,799)	(914)	(16,548,328)
– Personal loans	(1,702,298)	(613,434)	(1,244,546)	(513)	(3,560,791)
	(4,547,884)	(4,257,463)	(11,302,345)	(1,427)	(20,109,119)
Net amount of loans and advances to customers	489,261,808	39,907,192	16,526,833	95,741	545,791,574
Gross amount of loans and advances at fair value through other comprehensive income	91,762,237	-	-	-	91,762,237
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(19,601)	-	-	-	(19,601)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans listed by assessment method for allowance (continued)

	As at 31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	328,752,179	36,833,763	15,959,024	180,751	381,725,717
Personal loans	137,049,272	1,698,253	1,468,787	115,489	140,331,801
	465,801,451	38,532,016	17,427,811	296,240	522,057,518
Less: ECL allowance					
– Corporate loans	(1,471,346)	(3,703,951)	(6,394,640)	(1,972)	(11,571,909)
– Personal loans	(2,113,122)	(809,623)	(1,261,541)	(1,635)	(4,185,921)
	(3,584,468)	(4,513,574)	(7,656,181)	(3,607)	(15,757,830)
Net amount of loans and advances to customers	462,216,983	34,018,442	9,771,630	292,633	506,299,688
Gross amount of loans and advances at fair value through other comprehensive income	46,868,652	–	–	–	46,868,652
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(7,326)	–	(200,000)	–	(207,326)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance

Movements in ECL allowance on loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2021	1,471,346	3,703,951	6,394,640	1,972	11,571,909
Originated or purchased	1,825,404	–	–	–	1,825,404
Derecognition or settlements	(925,681)	(380,176)	(602,896)	–	(1,908,753)
Remeasurement					
– Parameter changes	761,934	(607,439)	1,254,800	(1,058)	1,408,237
– Stage transfer	(239,830)	1,897,402	5,747,183	–	7,404,755
Write-offs or disposals	–	–	(3,564,329)	–	(3,564,329)
Transfers	(47,587)	(969,709)	1,017,296	–	–
Transfer from Stage I to Stage II	(163,606)	163,606	–	–	–
Transfer from Stage I to Stage III	(175,912)	–	175,912	–	–
Transfer from Stage II to Stage I	291,931	(291,931)	–	–	–
Transfer from Stage II to Stage III	–	(1,116,230)	1,116,230	–	–
Transfer from Stage III to Stage II	–	274,846	(274,846)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(188,895)	–	(188,895)
ECL allowance as at 31 December 2021	2,845,586	3,644,029	10,057,799	914	16,548,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Corporate loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
ECL allowance as at 1 January 2020	1,239,986	7,048,784	5,173,062	–	13,461,832
Originated or purchased	1,423,834	–	–	–	1,423,834
Derecognition or settlements	(781,312)	(492,563)	(234,540)	–	(1,508,415)
Remeasurement					
– Parameter changes	(116,918)	(47,374)	(118,990)	1,972	(281,310)
– Stage transfer	(1,667,018)	1,036,850	4,967,336	–	4,337,168
Write-offs or disposals	–	–	(5,805,199)	–	(5,805,199)
Transfers	1,372,774	(3,841,746)	2,468,972	–	–
Transfer from Stage I to Stage II	(197,686)	197,686	–	–	–
Transfer from Stage I to Stage III	(113,882)	–	113,882	–	–
Transfer from Stage II to Stage I	1,684,342	(1,684,342)	–	–	–
Transfer from Stage II to Stage III	–	(2,377,972)	2,377,972	–	–
Transfer from Stage III to Stage II	–	22,882	(22,882)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(56,001)	–	(56,001)
ECL allowance as at 31 December 2020	1,471,346	3,703,951	6,394,640	1,972	11,571,909

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
ECL allowance as at 1 January 2021	2,113,122	809,623	1,261,541	1,635	4,185,921
Originated or purchased	726,865	–	–	–	726,865
Derecognition or settlements	(926,128)	(259,718)	(154,439)	–	(1,340,285)
Remeasurement					
– Parameter changes	(179,748)	(107,026)	369,193	(1,122)	81,297
– Stage transfer	(180,258)	486,970	653,289	–	960,001
Write-offs or disposals	–	–	(1,052,863)	–	(1,052,863)
Transfers	148,445	(316,415)	167,970	–	–
Transfer from Stage I to Stage II	(26,733)	26,733	–	–	–
Transfer from Stage I to Stage III	(17,453)	–	17,453	–	–
Transfer from Stage II to Stage I	176,355	(176,355)	–	–	–
Transfer from Stage II to Stage III	–	(174,418)	174,418	–	–
Transfer from Stage III to Stage II	–	7,625	(7,625)	–	–
Transfer from Stage III to Stage I	16,276	–	(16,276)	–	–
Others	–	–	(145)	–	(145)
ECL allowance as at 31 December 2021	1,702,298	613,434	1,244,546	513	3,560,791

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
ECL allowance as at 1 January 2020	1,685,516	532,606	1,236,801	–	3,454,923
Originated or purchased	1,137,976	–	–	–	1,137,976
Derecognition or settlements	(681,795)	(265,902)	(115,330)	–	(1,063,027)
Remeasurement					
– Parameter changes	16,662	53,580	591,498	1,635	663,375
– Stage transfer	(136,216)	681,871	681,071	–	1,226,726
Write-offs or disposals	–	–	(1,234,093)	–	(1,234,093)
Transfers	90,979	(192,532)	101,553	–	–
Transfer from Stage I to Stage II	(23,230)	23,230	–	–	–
Transfer from Stage I to Stage III	(24,886)	–	24,886	–	–
Transfer from Stage II to Stage I	132,994	(132,994)	–	–	–
Transfer from Stage II to Stage III	–	(86,169)	86,169	–	–
Transfer from Stage III to Stage II	–	3,401	(3,401)	–	–
Transfer from Stage III to Stage I	6,101	–	(6,101)	–	–
Others	–	–	41	–	41
ECL allowance as at 31 December 2020	2,113,122	809,623	1,261,541	1,635	4,185,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	7,326	-	200,000	207,326
Originated or purchased	19,601	-	-	19,601
Derecognition or settlements	(7,326)	-	-	(7,326)
Remeasurement				
- Parameter changes	-	-	-	-
Write-offs or disposals	-	-	(200,000)	(200,000)
Transfers	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
ECL allowance as at 31 December 2021	19,601	-	-	19,601

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movements in ECL allowance (continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	3,014	–	393,428	396,442
Originated or purchased	7,326	–	–	7,326
Derecognition or settlements	(3,014)	–	–	(3,014)
Remeasurement				
– Parameter changes	–	–	356,571	356,571
Write-offs or disposals	–	–	(549,999)	(549,999)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	7,326	–	200,000	207,326

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances

The movements in gross carrying amounts of loans and advances to customers at amortized cost

Corporate loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2021	328,752,179	36,833,763	15,959,024	180,751	381,725,717
Originated or purchased	177,104,021	-	-	-	177,104,021
Derecognition	(142,581,611)	(3,698,157)	(1,362,972)	(151,441)	(147,794,181)
Write-offs or disposals	-	-	(3,564,329)	-	(3,564,329)
Transfers	(24,446,702)	9,163,217	15,283,485	-	-
Transfer from Stage I to Stage II	(22,897,341)	22,897,341	-	-	-
Transfer from Stage I to Stage III	(7,190,054)	-	7,190,054	-	-
Transfer from Stage II to Stage I	5,640,693	(5,640,693)	-	-	-
Transfer from Stage II to Stage III	-	(8,756,397)	8,756,397	-	-
Transfer from Stage III to Stage II	-	662,966	(662,966)	-	-
Transfer from Stage III to Stage I	-	-	-	-	-
Gross carrying amounts as at 31 December 2021	338,827,887	42,298,823	26,315,208	29,310	407,471,228

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Corporate loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Gross carrying amounts as at 1 January					
2020	267,058,001	56,399,955	10,197,917	87,724	333,743,597
Originated or purchased	208,819,623	–	–	158,819	208,978,442
Derecognition	(143,379,120)	(10,901,803)	(844,408)	(65,792)	(155,191,123)
Write-offs or disposals	–	–	(5,805,199)	–	(5,805,199)
Transfers	(3,746,325)	(8,664,389)	12,410,714	–	–
Transfer from Stage I to Stage II	(15,596,154)	15,596,154	–	–	–
Transfer from Stage I to Stage III	(2,383,500)	–	2,383,500	–	–
Transfer from Stage II to Stage I	14,233,329	(14,233,329)	–	–	–
Transfer from Stage II to Stage III	–	(10,074,836)	10,074,836	–	–
Transfer from Stage III to Stage II	–	47,622	(47,622)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Gross carrying amounts as at 31 December 2020	328,752,179	36,833,763	15,959,024	180,751	381,725,717

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2021	137,049,272	1,698,253	1,468,787	115,489	140,331,801
Originated or purchased	72,181,137	–	–	–	72,181,137
Derecognition	(52,082,681)	(700,940)	(199,358)	(47,631)	(53,030,610)
Write-offs or disposals	–	–	(1,052,863)	–	(1,052,863)
Transfers	(2,165,923)	868,519	1,297,404	–	–
Transfer from Stage I to Stage II	(1,689,000)	1,689,000	–	–	–
Transfer from Stage I to Stage III	(878,825)	–	878,825	–	–
Transfer from Stage II to Stage I	374,042	(374,042)	–	–	–
Transfer from Stage II to Stage III	–	(461,036)	461,036	–	–
Transfer from Stage III to Stage II	–	14,597	(14,597)	–	–
Transfer from Stage III to Stage I	27,860	–	(27,860)	–	–
Gross carrying amounts as at 31 December 2021	154,981,805	1,865,832	1,513,970	67,858	158,429,465

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at amortized cost (continued)

Personal loans and advances	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit-impaired	
Gross carrying amounts as at 1 January 2020	121,590,758	1,527,041	1,548,626	52,455	124,718,880
Originated or purchased	58,995,721	–	–	82,036	59,077,757
Derecognition	(41,259,633)	(701,219)	(250,889)	(19,002)	(42,230,743)
Write-offs or disposals	–	–	(1,234,093)	–	(1,234,093)
Transfers	(2,277,574)	872,431	1,405,143	–	–
Transfer from Stage I to Stage II	(1,526,650)	1,526,650	–	–	–
Transfer from Stage I to Stage III	(1,068,486)	–	1,068,486	–	–
Transfer from Stage II to Stage I	303,644	(303,644)	–	–	–
Transfer from Stage II to Stage III	–	(358,703)	358,703	–	–
Transfer from Stage III to Stage II	–	8,128	(8,128)	–	–
Transfer from Stage III to Stage I	13,918	–	(13,918)	–	–
Gross carrying amounts as at 31 December 2020	137,049,272	1,698,253	1,468,787	115,489	140,331,801

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income

Discounted bills	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	46,868,652	-	-	46,868,652
Originated or purchased	91,762,237	-	-	91,762,237
Derecognition	(46,868,652)	-	-	(46,868,652)
Write-offs or disposals	-	-	-	-
Transfers	-	-	-	-
Transfer from Stage I to Stage II	-	-	-	-
Transfer from Stage I to Stage III	-	-	-	-
Transfer from Stage II to Stage I	-	-	-	-
Transfer from Stage II to Stage III	-	-	-	-
Transfer from Stage III to Stage II	-	-	-	-
Transfer from Stage III to Stage I	-	-	-	-
Gross carrying amounts as at 31 December 2021	91,762,237	-	-	91,762,237

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) The movements in gross carrying amounts of loans and advances (continued)

The movements in gross carrying amounts of loans and advances to customers at fair value through other comprehensive income (continued)

Discounted bills	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2020	20,756,976	–	748,673	21,505,649
Originated or purchased	46,868,651	–	–	46,868,651
Derecognition	(20,756,975)	–	(198,674)	(20,955,649)
Write-offs or disposals	–	–	(549,999)	(549,999)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Gross carrying amounts as at 31 December 2020	46,868,652	–	–	46,868,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2021	2020
Government bonds	27,346,564	13,725,234
Bonds issued by policy banks	9,738,005	21,414,511
Bonds issued by financial institutions	1,031,255	2,243,957
Certificates of deposit issued by other financial institutions	6,389	46,045
Assets backed securities issued by other banks and non-bank financial institutions	1,351,904	3,176,810
Corporate bonds	3,781,683	4,423,335
Trust and asset management plans	4,260,904	7,894,769
Fund and other investments	42,624,437	35,948,298
Interest receivable	1,487,422	1,374,535
Total	91,628,563	90,247,494

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
Government bonds	21,572,767	18,703,129
Bonds issued by policy banks	26,041,193	35,372,734
Bonds issued by financial institutions	443,258	984,193
Assets backed securities issued by other banks and non-bank financial institutions	1,888,592	2,295,188
Corporate bonds	5,894,778	9,263,436
Certificates of deposit issued by other financial institutions	2,386,467	1,145,227
Trust and asset management plans (i)	5,789,631	6,537,923
Interest receivable	1,188,563	1,375,502
Total	65,205,249	75,677,332

(i) Trust and asset management plans as at 31 December 2021 were invested in credit assets, and mainly in stage 2 or stage 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	35,013	483,019	1,265,291	1,783,323
Originated or purchased	1,899	–	24,985	26,884
Derecognition or settlements	(21,636)	(384)	(1,067)	(23,087)
Remeasurement				
– Parameter changes	24,430	70,264	392,062	486,756
– Stage transfer	–	–	139,380	139,380
Write-offs or disposals	–	–	(92,229)	(92,229)
Transfers:	–	(319,414)	319,414	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(319,414)	319,414	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	39,706	233,485	2,047,836	2,321,027

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	89,162	173,841	1,211,722	1,474,725
Originated or purchased	10,363	–	–	10,363
Derecognition or settlements	(20,578)	(21,755)	(17,316)	(59,649)
Remeasurement				
– Parameter changes	(8,841)	137,066	70,170	198,395
– Stage transfer	–	158,824	665	159,489
Transfers:	(35,093)	35,043	50	–
Transfer from Stage I to Stage II	(35,043)	35,043	–	–
Transfer from Stage I to Stage III	(50)	–	50	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	35,013	483,019	1,265,291	1,783,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) The movements in gross carrying amounts are summarised as follows:

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	68,758,954	3,857,547	3,060,831	75,677,332
Originated or purchased	23,779,517	–	470,973	24,250,490
Derecognition	(34,251,539)	(4,209)	(187,657)	(34,443,405)
Write-offs or disposals	–	–	(92,229)	(92,229)
Transfers:	–	(1,986,136)	1,986,136	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,986,136)	1,986,136	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	199,937	321,279	(708,155)	(186,939)
Gross carrying amounts as at 31 December 2021	58,486,869	2,188,481	4,529,899	65,205,249

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2020	64,510,272	2,003,191	3,192,650	69,706,113
Originated or purchased	44,448,054	–	–	44,448,054
Derecognition	(38,167,397)	(186,533)	(60,287)	(38,414,217)
Transfers:	(2,017,251)	2,013,560	3,691	–
Transfer from Stage I to Stage II	(2,013,560)	2,013,560	–	–
Transfer from Stage I to Stage III	(3,691)	–	3,691	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(14,724)	27,329	(75,223)	(62,618)
Gross carrying amounts as at 31 December 2020	68,758,954	3,857,547	3,060,831	75,677,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

23 FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December	
	2021	2020
Government bonds	70,669,273	25,140,355
Bonds issued by policy banks	53,291,330	35,043,690
Bonds issued by financial institutions	3,555,241	677,600
Certificates of deposit issued by other financial institutions	6,405,226	19,270,099
Assets backed securities issued by other banks and non-bank financial institutions	8,553,199	7,110,358
Corporate bonds	3,391,171	3,270,966
Trust and asset management plans (i)	10,839,761	5,825,068
Interest receivable	2,271,846	1,214,395
Subtotal	158,977,047	97,552,531
Less : ECL allowance	(1,572,344)	(953,171)
Total	157,404,703	96,599,360

(i) Trust and asset management plans as at 31 December 2021 were invested in credit assets.

(a) Movements in ECL allowance are summarised as follows:

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2021	12,853	259,149	681,169	953,171
Originated or purchased	17,707	–	387,017	404,724
Derecognition or settlements	(5,496)	(32,837)	–	(38,333)
Remeasurement				
– Parameter changes	(2,762)	(37,816)	227,092	186,514
– Stage transfer	–	15,098	62,823	77,921
Write-offs or disposals	–	–	(11,653)	(11,653)
Transfers:	(2,664)	(25,713)	28,377	–
Transfer from Stage I to Stage II	(2,664)	2,664	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(28,377)	28,377	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2021	19,638	177,881	1,374,825	1,572,344

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

23 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(a) Movements in ECL allowance are summarised as follows (continued):

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
ECL allowance as at 1 January 2020	142,820	311,645	232,787	687,252
Originated or purchased	11,324	–	–	11,324
Derecognition or settlements	(90,517)	(9,586)	(266,033)	(366,136)
Remeasurement				
– Parameter changes	(27,701)	(66,883)	(361)	(94,945)
– Stage transfer	–	136,006	579,670	715,676
Transfers:	(23,073)	(112,033)	135,106	–
Transfer from Stage I to Stage II	(23,073)	23,073	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(135,106)	135,106	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	12,853	259,149	681,169	953,171

(b) The movements in gross carrying amount are summarised as follows:

	Year ended 31 December 2021			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2021	92,110,770	3,482,174	1,959,587	97,552,531
Originated or purchased (i)	96,728,953	–	1,968,628	98,697,581
Derecognition	(37,666,427)	(652,436)	–	(38,318,863)
Write-offs or disposals	–	–	(11,653)	(11,653)
Transfers:	(4,171,256)	3,601,256	570,000	–
Transfer from Stage I to Stage II	(4,171,256)	4,171,256	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(570,000)	570,000	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	877,241	175,355	4,855	1,057,451
Gross carrying amounts as at 31 December 2021	147,879,281	6,606,349	4,491,417	158,977,047

(i) Originated or purchased assets in Stage III were associated with impaired underlying credit assets in wealth management products issued by the Bank and purchased by the Bank during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

23 FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

(b) The movements in gross carrying amount are summarised as follows (continued):

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Gross carrying amounts as at 1 January 2020	78,914,420	3,385,297	923,622	83,223,339
Originated or purchased	54,511,997	–	–	54,511,997
Derecognition	(39,350,785)	(458,664)	(256,442)	(40,065,891)
Transfers:	(1,916,163)	649,721	1,266,442	–
Transfer from Stage I to Stage II	(1,916,163)	1,916,163	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(1,266,442)	1,266,442	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
Change of interest accrued	(48,699)	(94,180)	25,965	(116,914)
Gross carrying amounts as at 31 December 2020	92,110,770	3,482,174	1,959,587	97,552,531

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

24 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2021	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Additions	32,541	151,459	6,481	111,019	8,194	309,694
Transfer from construction in progress	382	(125,436)	11,949	65,626	-	(47,479)
Transfer from investment properties	5,540	-	-	-	-	5,540
Disposals	(51,780)	-	(6,281)	(72,663)	(11,656)	(142,380)
Other transfer-out	(385)	-	-	-	-	(385)
At 31 December 2021	6,070,646	295,908	609,905	1,367,197	41,634	8,385,290
Accumulated depreciation						
At 1 January 2021	3,783,514	-	534,506	966,487	38,203	5,322,710
Charge for the year	266,274	-	21,954	131,325	1,677	421,230
Transfer from investment properties	5,489	-	-	-	-	5,489
Disposals	(38,414)	-	(3,295)	(62,540)	(10,404)	(114,653)
Other transfer-out	(385)	-	-	-	-	(385)
At 31 December 2021	4,016,478	-	553,165	1,035,272	29,476	5,634,391
Net book value						
At 31 December 2021	2,054,168	295,908	56,740	331,925	12,158	2,750,899
At 1 January 2021	2,300,834	269,885	63,250	296,728	6,893	2,937,590

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

24 PROPERTY AND EQUIPMENT (CONTINUED)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2020	5,773,065	170,377	585,727	1,242,634	51,734	7,823,537
Additions	63,587	195,585	14,055	73,434	4,730	351,391
Transfer from construction in progress	24,353	(51,934)	2,070	25,511	-	-
Transfer from investment properties	194,144	-	-	-	-	194,144
Acquisition of a subsidiary	94,571	-	-	6,432	1,189	102,192
Disposals	(33,179)	-	(3,615)	(84,796)	(12,557)	(134,147)
Other transfer-out	(32,193)	(44,143)	(481)	-	-	(76,817)
At 31 December 2020	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Accumulated depreciation						
At 1 January 2020	3,433,199	-	497,978	922,690	48,032	4,901,899
Charge for the year	271,081	-	40,217	124,081	2,296	437,675
Transfer from investment properties	133,074	-	-	-	-	133,074
Disposals	(21,647)	-	(3,590)	(80,284)	(12,125)	(117,646)
Other transfer-out	(32,193)	-	(99)	-	-	(32,292)
At 31 December 2020	3,783,514	-	534,506	966,487	38,203	5,322,710
Net book value						
At 31 December 2020	2,300,834	269,885	63,250	296,728	6,893	2,937,590
At 1 January 2020	2,339,866	170,377	87,749	319,944	3,702	2,921,638

The original value and net value of the fixed assets that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 31 December	
	2021	2020
Original value	1,590,409	1,583,953
Net value	809,194	814,086

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

25 GOODWILL

	At 1 January 2021	Additions	At 31 December 2021
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	At 1 January 2020	Additions	At 31 December 2020
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

	As at 31 December	
	2021	2020
Growth rate	3%	3%
Discount rate	15%	15%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

26 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	31 December 2021		31 December 2020	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	6,255,200	25,019,443	4,685,122	18,740,486
Provisions	169,427	677,707	706,936	2,827,744
Changes in the expected credit losses of financial assets at FVOCI	580,256	2,321,027	445,831	1,783,322
Changes in fair value of financial assets at FVOCI	479,673	1,917,954	518,065	2,072,258
Changes in the expected credit losses of loans and advances to customers at FVOCI	4,900	19,601	51,832	207,326
Changes in fair value of loans and advances to customers at FVOCI	73,046	292,186	66,842	267,367
Changes in fair value of financial assets at FVPL	393,721	1,574,882	205,937	823,748
Staff salary and welfare payable	247,929	991,714	486,128	1,944,510
Others	153,302	613,208	169,175	676,701
Subtotal	8,357,454	33,427,722	7,335,868	29,343,462
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(580,256)	(2,321,027)	(445,831)	(1,783,322)
Changes in the expected credit losses of loans and advances to customers at FVOCI	(4,900)	(19,601)	(51,832)	(207,326)
Changes in fair value of financial assets at FVPL	(3,124)	(12,497)	(3,762)	(15,048)
Adjustment of book value of assets and liabilities on the date of acquisition	(104,094)	(416,377)	(127,840)	(511,360)
Unrealized gains of foreclosed assets	(76)	(303)	(162)	(646)
Subtotal	(692,450)	(2,769,805)	(629,427)	(2,517,702)
Net deferred income tax	7,665,004	30,657,917	6,706,441	26,825,760

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

26 DEFERRED INCOME TAXES (CONTINUED)

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 31 December	
	2021	2020
Balance at the end of the last year	6,706,441	5,054,904
Charged to profit or loss	1,078,244	1,213,983
Charged to other comprehensive income	(119,681)	464,919
Acquisition of a subsidiary	–	(27,365)
At the end of the year	7,665,004	6,706,441

27 OTHER ASSETS

	As at 31 December	
	2021	2020
Receivables and payments	1,202,400	1,221,605
Intangible assets (a)	200,165	185,682
Right-of-use assets (b)	1,871,029	1,946,889
Foreclosed assets (c)	627,236	640,937
Settlement and clearing accounts	1,145,016	718,192
Assets to be settled	297,366	297,366
Interest receivable	503,799	417,874
Investment properties	39,680	47,692
Long-term deferred expenses	93,882	105,988
Others	22,717	18,325
Total	6,003,290	5,600,550
Less: Allowance for impairment losses	(858,493)	(755,958)
Total	5,144,797	4,844,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27 OTHER ASSETS (CONTINUED)

(a) Intangible assets

	Software	Total
Cost		
At 1 January 2021	716,611	716,611
Additions	134,314	134,314
Transfer from construction in progress	29,189	29,189
Disposals	(8,744)	(8,744)
At 31 December 2021	871,370	871,370
Accumulated amortization		
At 1 January 2021	530,929	530,929
Amortization	145,946	145,946
Disposals	(5,670)	(5,670)
At 31 December 2021	671,205	671,205
Net book value		
At 31 December 2021	200,165	200,165
At 1 January 2021	185,682	185,682
Software		
Cost		
At 1 January 2020	595,825	595,825
Additions	101,606	101,606
Transfer from construction in progress	19,180	19,180
At 31 December 2020	716,611	716,611
Accumulated amortization		
At 1 January 2020	429,103	429,103
Amortization	101,826	101,826
At 31 December 2020	530,929	530,929
Net book value		
At 31 December 2020	185,682	185,682
At 1 January 2020	166,722	166,722

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27 OTHER ASSETS (CONTINUED)

(b) Right-of-use assets

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2021	1,366,127	1,102,911	2,469,038
Additions	255,689	–	255,689
Disposals	(190,601)	(17,880)	(208,481)
As at 31 December 2021	1,431,215	1,085,031	2,516,246
Accumulated depreciation			
As at 1 January 2021	453,250	68,899	522,149
Charge for the year	250,973	25,191	276,164
Disposals	(153,096)	–	(153,096)
As at 31 December 2021	551,127	94,090	645,217
Net book value			
As at 31 December 2021	880,088	990,941	1,871,029
As at 1 January 2021	912,877	1,034,012	1,946,889

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27 OTHER ASSETS (CONTINUED)

(b) Right-of-use assets (continued)

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2020	1,206,351	1,045,961	2,252,312
Additions	337,304	10,543	347,847
Acquisition of a subsidiary	–	46,407	46,407
Disposals	(177,528)	–	(177,528)
As at 31 December 2020	1,366,127	1,102,911	2,469,038
Accumulated depreciation			
As at 1 January 2020	297,960	43,273	341,233
Charge for the year	296,072	25,626	321,698
Disposals	(140,782)	–	(140,782)
As at 31 December 2020	453,250	68,899	522,149
Net book value			
As at 31 December 2020	912,877	1,034,012	1,946,889
As at 1 January 2020	908,391	1,002,688	1,911,079

(c) Foreclosed assets

	As at 31 December	
	2021	2020
Houses and buildings	606,053	619,754
Others	21,183	21,183
Total	627,236	640,937
Less: Allowance for impairment losses	(132,119)	(69,307)
Total	495,117	571,630

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

27 OTHER ASSETS (CONTINUED)

(c) Foreclosed assets (continued)

Movements of allowance for repossessed assets are as follows:

	Houses, buildings and land use rights	Others	Total
At 1 January 2020	64,017	–	64,017
Charge for the year	5,290	–	5,290
At 31 December 2020	69,307	–	69,307
Charge for the year	62,784	28	62,812
At 31 December 2021	132,091	28	132,119

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Deposits from banks operating in Mainland China	630,132	2,182,452
Deposits from other financial institutions operating in Mainland China	35,374,882	38,827,688
Interest payable	221,667	219,778
Total	36,226,681	41,229,918

As at 31 December 2021, no deposits arose from principal guaranteed wealth management products (2020: nil).

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Placements from banks operating in Mainland China	800,000	1,450,000
Placements from banks operating outside Mainland China	–	16,830
Placements from other financial institutions in Mainland China	530,000	350,000
Interest payable	1,545	1,751
Total	1,331,545	1,818,581

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2021	2020
Securities	32,349,999	10,068,344
Interest payable	9,980	1,710
Total	32,359,979	10,070,054

31 CUSTOMER DEPOSITS

	As at 31 December	
	2021	2020
Demand deposits		
– Corporate customers	179,302,174	172,388,269
– Personal customers	125,691,468	121,225,967
	304,993,642	293,614,236
Time deposits		
– Corporate customers	200,646,029	184,855,368
– Personal customers	327,913,865	274,991,612
	528,559,894	459,846,980
Pledged deposits	13,370,518	13,726,691
Other deposits (i)	2,842,750	11,236,947
Total	849,766,804	778,424,854

- (i) As at 31 December 2021, there was no deposits arising from principal guaranteed wealth management products. (2020: RMB6,566,780 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

32 DEBT SECURITIES ISSUED

	As at 31 December	
	2021	2020
2018 tier 2 capital bonds (a)	9,999,002	9,998,868
Interbank certificates of deposit issued (b)	96,628,433	65,239,249
Financial bonds(c)	999,589	999,221
Interest payable	406,538	406,538
Total	108,033,562	76,643,876

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

(b) Interbank certificates of deposit issued

As at 31 December 2021, the outstanding balance was RMB96,628,433 thousand (31 December 2020:RMB65,239,249 thousand), with the interest rate ranging from 2.40% to 3.21% (31 December 2020: from 1.85% to 3.42%), and the amount is maturing in 2022.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, Zhujiang Financial Leasing Co., Ltd. issued financial bonds in an amount of RMB1 billion in the domestic interbank bond market on 18 April 2019. The bonds have a maturity of 3 years, with a fixed coupon rate of 3.80% and annual interest payment on 22 April every year from 2020 to 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33 OTHER LIABILITIES

	As at 31 December	
	2021	2020
Borrowings from other banks (a)	10,876,070	10,048,067
Settlement and clearing accounts	3,384,618	2,488,136
Salaries, bonuses, allowances and subsidies payable (b)	1,717,482	2,655,115
Guarantee deposits from lessees (c)	1,331,469	1,377,410
Lease liabilities	936,799	957,973
Provisions (d)	677,707	2,827,744
Sundry tax payables	637,642	530,135
Deferred revenue	147,208	156,710
Deposit insurance premium payable	96,388	86,146
Deposits and guarantees received	49,581	49,343
Payables for commission funds	25,000	25,000
Collection of foreclosed assets	15,000	15,000
Others	919,910	354,077
Total	20,814,874	21,570,856

(a) Borrowings from other banks

As at 31 December 2021, the wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., borrowed long-term and short-term loans for its leasing operation business, with maturity ranging from 1 to 60 months (31 December 2020: from 1 to 60 months) and fixed interest rates ranging from 3.22% to 4.40% (31 December 2020: from 2.50% to 5.39%).

(b) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2021	2020
Salaries, bonuses and allowances	863,003	1,822,612
Social insurance	4,837	4,454
Housing fund	494	175
Employee benefits, etc.	128,501	303,033
Defined contribution plans	2,977	5,828
Defined benefit plans		
– Supplemental retirement benefits (i)	587,577	422,202
Early retirement benefits	130,093	96,811
Total	1,717,482	2,655,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

(i) Supplemental retirement benefits (continued)

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: Nil).

The movement of supplementary retirement benefits of the Group are as follows:

	As at 31 December	
	2021	2020
At 1 January	422,202	555,945
Benefits paid during the year ⁽¹⁾	(46,074)	(161,036)
Defined benefit cost recognised in profit or loss	170,587	52,970
Defined benefit cost recognised in other comprehensive income	40,862	(25,677)
At 31 December	587,577	422,202

- (1) In accordance with the relevant requirements of Work Plan on Promoting Socialization Management of Retirees in State-owned Enterprises of Guangzhou Municipality, the Group paid the pension compensation of retirees by means of one-time payment from the accumulated accrued retirement benefits payable in 2020, totaling RMB119,597 thousand. In 2021, there were no such kind of payment any more.

The principal actuarial assumptions adopted at the end of 2021 and 2020 are as follows:

	As at 31 December	
	2021	2020
Discount rate		
– Normal retirees	2.55%–3.13%	3.59%
– Early retirees	3.16%	3.66%
Expected growth rate of benefits	0–5%	0–5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, which published in Mainland China.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

33 OTHER LIABILITIES (CONTINUED)

(b) Salaries, bonuses, allowances and subsidies payable (continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate As at 31 December	
	2021	2020
Change in basis points		
+50 basis points	(43,430)	(31,903)
-50 basis points	49,268	36,102
	Growth rate As at 31 December	
	2021	2020
Change in basis points		
+50 basis points	48,699	37,013
-50 basis points	(43,246)	(32,992)

(c) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, Zhujiang Financial Leasing Co., Ltd., received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

(d) Provisions

As at 31 December 2021, the balance mainly represent expected credit loss allowance of off-balance sheet credit commitments including bank acceptances, letters of credit and guarantees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

34 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	31 December 2021		31 December 2020	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	9,808,269	9,808,269	9,808,269	9,808,269
Issuance of shares	1,643,000	1,643,000	–	–
As at 31 December 2021/ 31 December 2020	11,451,269	11,451,269	9,808,269	9,808,269

- (a) According to the Bank's proposal of the board of directors on 16 April 2021 and the shareholders' resolution on 8 June 2021, the Bank applied for the issuance of not more than 0.305 billion H shares through non-public offering to investors overseas and not more than 1.340 billion domestic shares through private placement. The application for the Bank's capital increase plan was approved by the CBIRC, Guangdong Bureau (Yue Yin Bao Jian Fu [2021] No. 313). With regard to this capital increase, as at 2 December 2021, the Bank received a total of RMB1,790,456 thousand from the H shareholders, including an increase of RMB305,000 thousand in share capital and a capital reserve of RMB1,481,181 thousand (after deducting the issuance cost of RMB4,275 thousand). As at 24 December 2021, the Bank received a total of RMB7,880,820 thousand from the domestic shareholders, including an increase of RMB1,338,000 thousand in share capital and a capital reserve of RMB6,538,800 thousand (after deducting the issuance cost of RMB4,020 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

35 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Number of shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.90%	USD20/share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
							9,839,115			
							18,381			
							9,820,734			

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the rate of 5.90% per annum; and
- (2) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

35 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (continued)

(ii) Conditions to distribution of dividends

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

35 PREFERENCE SHARES (CONTINUED)

(b) Main clauses (Continued)

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

(c) Movements of preference shares issued

	As at 1 January 2021	Movements		AS at 31 December
		Additions	Reductions	2021
Offshore preference shares				
Amount (shares)	71,500,000	—	—	71,500,000
In RMB, after deducting issuance fees	9,820,734	—	—	9,820,734

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

36 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the year ended 31 December 2021, an appropriation of 10% of the profit of the Bank determined under generally accepted accounting principles of the PRC ("PRC GAAP") was made to the statutory surplus reserve, in the amount of RMB294,284 thousand (2020: nil).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, starting from 1 July 2012, which should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

During the year ended 31 December 2021, the Group transferred RMB1,674,285 thousand (2020:RMB1,707,241 thousand) to the general reserve pursuant to the regulatory requirements in the PRC and the reserve has reached 1.5% of the year-end balance of its risk assets as required on 31 December 2021 and 31 December 2020.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

37 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position				Net amount transferred to the income statement	Other comprehensive income in income statement		
	Attributable to the shareholders		Attributable to the non- controlling interests			Tax expense	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax
	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021				
	of the Bank after tax	of the Bank after tax	of the Bank after tax	of the Bank after tax				
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Financial assets at fair value through other comprehensive income	(238,462)	87,364	325,826	817,807	(338,344)	(119,681)	325,826	33,956
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	5,065	(35,716)	(40,781)	(40,862)	-	-	(40,781)	(81)
Total	(233,397)	51,648	285,045	776,945	(338,344)	(119,681)	285,045	33,875

	Other comprehensive income in statement of financial position				Net amount transferred to the income statement	Other comprehensive income in income statement		
	Attributable to the shareholders		Attributable to the non- controlling interests			Tax expense	Attributable to the shareholders of the Bank after tax	Attributable to the non- controlling interests after tax
	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020				
	of the Bank after tax	of the Bank after tax	of the Bank after tax	of the Bank after tax				
Other comprehensive income to be reclassified to profit or loss in subsequent years:								
Financial assets at fair value through other comprehensive income	1,134,289	(238,462)	(1,372,751)	(1,500,688)	(358,988)	464,919	(1,372,751)	(22,006)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:								
Remeasurement losses on defined benefit plans	(20,612)	5,065	25,677	25,677	-	-	25,677	-
Total	1,113,677	(233,397)	(1,347,074)	(1,475,011)	(358,988)	464,919	(1,347,074)	(22,006)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

38 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 31 December	
	2021	2020
Cash on hand	3,760,436	3,786,547
Surplus reserves with central bank	27,873,445	35,565,294
Deposits with banks and other financial institutions	16,692,121	13,910,465
Placements with banks and other financial institutions	2,793,466	880,000
Financial assets held under resale agreements	48,421,807	41,558,550
Total	99,541,275	95,700,856

39 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

(a) Bond lending arrangements

The Group entered into bond lending agreements with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss of carrying amount totalling RMB5,200,286 thousand as at 31 December 2021 (2020:RMB379,199 thousand) and financial assets at fair value through other comprehensive income of carrying amount totalling RMB3,301,264 thousand as at 31 December 2021 (2020: RMB923,827 thousand) and financial assets at amortized cost amount totalling RMB6,606,005 thousand as at 31 December 2021 (31 December 2020: RMB674,961). The counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them in the consolidated financial statements.

(b) Securitisation transactions

In the course of securitisation transactions, the Group sells assets to special purpose trusts and the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognize relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2021, there was no carrying amount of the credit assets transferred by the Group to special purpose trusts (2020: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

39 TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

(c) Transfer of beneficial rights of credit assets

In the course of beneficial rights of credit assets transfer transactions, the Group transfers beneficial rights of credit assets to special purpose trusts from whom the trust schemes are subsequently transferred to the investors. The Group may subscribe some trust funds in these businesses, thus reserving part of risks and rewards of transferred beneficial rights of credit assets. The Group analyses and judges whether to derecognize relevant beneficial rights of credit assets based on degree of retention of risks and rewards.

As at 31 December 2021, there was no original amount of the beneficial rights of credit assets transferred by the Group to special purpose trust before transfer (2020:nil).

40 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated structured entities

(i) *Principal guaranteed wealth management products sponsored and managed by the Group*

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products are presented in respective financial assets items in accordance with the Group's accounting policies based on the nature of the assets. The corresponding liabilities to the investors of these products are presented in customers deposits and deposits with banks and other financial institutions.

As at 31 December 2021, there was no guaranteed wealth management products sponsored and managed by the Group (31 December 2020: RMB6,566,780 thousand). And no single wealth management plan has significant financial impact on the Group.

(ii) *Other consolidated structured entities*

Other structured entities consolidated by the Group include certain asset management plans, trust plans and wealth management products invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 31 December 2021, the balance of these consolidated structured entities were RMB40,587,436 thousand (31 December 2020: RMB30,921,039 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

40 STRUCTURED ENTITIES(CONTINUED)

(b) Unconsolidated structured entities

(i) *Unconsolidated structured entities managed by the Group*

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions, encouraging financial institutions to adopt a combination of methods to orderly dispose of their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. In 2021, the Group moved steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. As at 31 December 2021, the Group included part of the non-principal-guaranteed wealth management products issued in the Group's financial investments.

During the year ended 31 December 2021, the Group recorded commission income as the manager of these wealth management products amounting to RMB124,290 thousand (2020: RMB122,854 thousand). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 31 December 2021, there was no balance of the above repurchase and placement transactions (2020: nil).

As at 31 December 2021, the balance of the unconsolidated non-guaranteed wealth management products managed by the Group amounted to RMB86,022,999 thousand (2020: RMB78,912,178 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

40 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group

As at 31 December 2021, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

At 31 December 2021	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	4,819,959	4,819,959
Fund investments	37,130,579	37,130,579
Other investments	5,934,883	5,934,883
Subtotal	47,885,421	47,885,421
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,080,934	6,080,934
Other investments	1,894,462	1,894,462
Subtotal	7,975,396	7,975,396
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	9,536,036	9,536,036
Other investments	8,579,491	8,579,491
Subtotal	18,115,527	18,115,527

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

40 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities (continued)

(ii) Unconsolidated structured entities invested by the Group (continued)

At 31 December 2020	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	8,059,607	8,059,607
Fund investments	30,616,265	30,616,265
Other investments	8,385,884	8,385,884
Subtotal	47,061,756	47,061,756
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,671,738	6,671,738
Other investments	2,302,738	2,302,738
Subtotal	8,974,476	8,974,476
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	4,972,877	4,972,877
Other investments	7,138,328	7,138,328
Subtotal	12,111,205	12,111,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Loan and credit card commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the year had the counterparties failed to perform as contracted.

	As at 31 December	
	2021	2020
Bank acceptances	37,751,574	28,630,154
Letters of credit issued	1,667,390	1,906,302
Guarantees issued	36,660,849	42,383,086
Loan and credit card commitments (i)	143,480,286	131,506,564
Subtotal	219,560,099	204,426,106
Allowance for credit commitments	651,637	751,894
Total	218,908,462	203,674,212

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(b) Operating lease commitments

During the year, the Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	As at 31 December	
	2021	2020
Within one year	3,207	6,546
After one year but not more than two years	1,319	6,482
After two years but not more than three years	995	6,574
After three years	8,465	11,866
Total	13,986	31,468

(c) Capital commitments

At the end of the year, the Group had capital commitments as follows:

	As at 31 December	
	2021	2020
Contracted, but not provided for	454,621	310,103

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December	
	2021	2020
Financial guarantees and credit related commitments	26,609,177	32,970,606

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 31 December 2021, the expected total claimed amounts of the litigation cases of which the Bank or its subsidiaries are the defendant amounted to RMB26,070 thousand (2020: RMB24,663 thousand). In the opinion of management, the Bank has made adequate provisions for any probable losses based on the current facts and circumstances. The litigation cases are not expected to have a significant impact on the Bank's business, financial condition and performance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

42 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 31 December	
	2021	2020
Entrusted deposits	(6,018,341)	(6,773,966)
Entrusted loans	6,018,341	6,773,966

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 31 December 2021 and 31 December 2020, entrusted wealth management service of the Group amounted to RMB86,022,999 thousand and RMB78,912,178 thousand respectively.

43 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 31 December 2021 and 2020, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, time deposits and borrowings from Central Bank. As at 31 December 2021 and 2020, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB46,666,776 thousand and RMB13,090,725 thousand respectively.

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 31 December 2021 and 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

44 RELATED PARTY DISCLOSURES

(a) Related party relationships

On 31 December 2021, there are two shareholders directly holding 5% or above shares of the Bank. On 31 December 2020, there is no shareholder directly or indirectly holding 5% or above shares of the Bank.

	Number of shares '000	Percentage of shares holding of the Bank %	Main business
Guangzhou Metro Group Co., Ltd	722,950	6.31	Infrastructure industry
Guangzhou CityRenewal Group Co., Ltd	666,735	5.82	Real estate industry
	1,389,685	12.13	

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

(i) *Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders*

Major shareholders consist of shareholders of the bank with more than 5% (inclusive 5%) shares, and shareholders who hold less than 5% of the total shares but have the power to appoint a director in the Bank.

Balances at the end of the year	As at 31 December	
	2021	2020
Loans and advances to customers	9,699,914	3,044,487
Financial assets at fair value through profit or loss	2,573,604	–
Financial assets at amortised cost	877,606	1,313,028
Deposits from banks and other financial institutions	183,793	9,525
Customer deposits	15,537,110	9,854,320
Bank acceptance bills	180,862	26,671
Credit commitments	1,744,797	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

44 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders (continued)

Transactions during the year	Year ended 31 December	
	2021	2020
Interest income	537,745	165,718
Interest expense	441,598	180,689
Fee and commission income	10,898	2,861
Fee and commission expense	2,529	4,176
Net trading gains	46,840	-

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

Balances at the end of the year	As at 31 December	
	2021	2020
Loans and advances to customers	14,923,214	11,675,777
Financial assets at fair value through profit or loss	3,995,621	-
Financial assets at fair value through other comprehensive incomes	5,128	-
Financial assets at amortised cost	573,356	-
Customer deposits	4,912,496	3,539,863
Bank acceptance bills	39,999	832,667
Credit commitments	1,547,413	368,200

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

44 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party transactions (continued)

(iii) Other related parties (continued)

Transactions during the year	Year ended 31 December	
	2021	2020
Interest income	788,421	669,381
Interest expense	262,808	238,311
Fee and commission income	134	11,986
Net trading gains	55,993	–

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Year ended 31 December	
	2021	2020
Salary, remuneration and benefits	23,586	24,665

Transactions with key management personnel and their closed family members are listed below:

Balances at the end of the year	As at 31 December	
	2021	2020
Loans and advances to customers	10,347	10,626
Customer deposits	629,347	66,925
Credit commitments	1,600	1,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

44 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel (continued)

Transactions during the year	Year ended 31 December	
	2021	2020
Interest income	513	363
Interest expense	4,950	2,563
Fee and commission income	132	44

45 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Compliance and Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of compliance and risk management.

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Credit Management Department, Legal and Compliance Department and Asset Management Department are primarily responsible for managing credit risk, market risk, operation risk and liquidity risk. The Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

The Group writes off loans, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation to recover the loan.

The written off amount of such loans by the Group were RMB4,817,192 thousand and RMB7,589,291 thousand respectively in 2021 and 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Credit Risk Management (continued)

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, securities companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of individual financial institutions on regularly basis. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, acceptances, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through regular analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;
- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Risk limit control and mitigation policies (continued)

Fair value of collateral is usually required to be assessed by professional valuer designated by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Office buildings, shops, factories, houses, carports, Warehouses	50%
Land use rights	50%
Constructions In process	45%
Automobiles	50%
Forest ownerships	40%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);

Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;

Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.

Significant increase in Credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds was set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to led the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Stage division (continued)

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

In 2021, the Group did not consider any financial instruments as having low credit risk, so that its credit risk did not need to be evaluated on the reporting date, comparing with its initial recognition date.

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Definition of default and credit impairment (continued)

Qualitative criteria

The borrower meets the "difficulty to repay" criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower's financial difficulties;
- A purchased or originated credit-impaired financial asset.

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms.

The Group has updated the PD and EAD in the ECL models based on the latest historical information and risk condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. The Group obtained the key macroeconomic factors of the past 10 years from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgments to determine economic forecasts and weighting scheme under various economic scenarios.

Since the outbreak of COVID-19 in January 2020, the economy in China has undergone significant changes and the economic environment is still uncertain. Future impairment charges may be subject to further volatility, depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of central bank, government and other support measures. For the year ended 31 December 2021, in order to timely reflect the impact of the COVID-19 on the ECL of financial instruments, the Group updated the forward-looking information in the ECL models. The results of the ECL models were consistent with the impact of COVID-19.

The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. Considering the impact of the effectiveness of central bank, government and other support measures on the ECL of financial instruments under the COVID-19, the weightings for the three scenarios are 80%, 10% and 10% respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Forward-looking information in the ECL models (continued)

Key macroeconomic assumptions are as follows:

Item	Range
GDP Annual Percentage Change	3.76%~7.04%
Growth rate of Consumer Price Index (YTD)	1.28%~2.72%
Growth rate of New RMB loan (YTD)	-4.41%~0.27%
USD to RMB exchange rate	6.4~6.44
Real RMB effective exchange rate index	130.11~131.13
Growth rate of Total Freight Traffic (YTD)	5.29%~11.85%
Shanghai Interbank Offered Rate (SHIBOR) 3M	2.41%~2.45%
Growth rate of M2	8.56%~8.57%
Growth rate of Consumer Price Index (MTD)	2.09%~3.1%
Growth rate of Producer Price Index (MTD)	12.71%~13.56%
Growth rate of Producer Price Index (YTD)	8.35%~9.63%
Purchasing Managers' Index	48.63%~49.49%
Cai Xin China Purchasing Managers' Index	49.97%~50.3%
Growth rate of Commercial Building Sold: Office Building (YTD)	-8.94%~-0.97%
Growth rate of Fixed Assets Investment (YTD)	-3.09%~3.07%
Growth rate of Completed Investment in Real Estate Development (YTD)	-0.75%~3.89%
Growth rate of Total Retail Sales of Consumer Goods (MTD)	-5.01%~1.31%
Growth rate of Total Retail Sales of Consumer Goods (YTD)	4.12%~11.38%
GDP of Guangdong Province Annual Percentage Change	3.09%~6.76%
Urban Surveyed Unemployed Rate	5.09%~5.25%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Forward-looking information in the ECL models (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the nonlinearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

When the management believed that the model forecast could not fully reflect recent credit or economic events, management overlay adjustments could be used to supplement ECL allowances. In 2021, the Group increased ECL allowances as management overlay adjustments for personal residential mortgages. The amount of management overlay adjustments in total did not have a significant impact on the Group's ECL allowance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2021, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under base scenario	16,577,569	3,569,563	3,893,310
Difference in amount	(9,640)	(8,772)	61
Difference in percentage	0%	0%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under optimistic scenario	16,237,612	3,431,139	3,881,745
Difference in amount	330,317	129,652	11,626
Difference in percentage	2%	4%	0%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	16,567,929	3,560,791	3,893,371
ECL under pessimistic scenario	16,948,865	3,752,955	3,905,488
Difference in amount	(380,936)	(192,164)	(12,117)
Difference in percentage	-2%	-5%	0%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2021
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	21,121,719
Total amount of ECL allowance and provisions recognised in balance sheet	25,424,248
Difference in amount	(4,302,529)
Difference in percentage	-17%

As at 31 December 2020, the comparison between the ECL allowance under three different scenarios and the weighted average ECL allowance is as follows:

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under base scenario	11,628,871	4,168,153	2,717,963
Difference in amount	151,999	16,133	18,531
Difference in percentage	1%	0%	1%

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under optimistic scenario	11,095,496	4,029,374	2,674,322
Difference in amount	685,374	154,912	62,172
Difference in percentage	6%	4%	2%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Sensitivity analysis (continued)

	Corporate Loans	Personal Loans	Financial Instruments
ECL under weighted average	11,780,870	4,184,286	2,736,494
ECL under pessimistic scenario	12,230,256	4,345,277	2,769,747
Difference in amount	(449,386)	(160,991)	(33,253)
Difference in percentage	-4%	-4%	-1%

Assuming that credit risk has decreased significantly, which leads to financial assets and credit commitments in stage II moving into stage I, impact on the ECL allowance and provisions recognised in balance sheet is as follows:

	As at 31 December 2020
Total amount of ECL allowance and provisions, assuming that financial assets and credit commitments in stage II moving into stage I	17,412,902
Total amount of ECL allowance and provisions recognised in balance sheet	22,522,071
Difference in amount	(5,109,169)
Difference in percentage	-23%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iii) Credit risk impairment (continued)

Grouping for ECL allowance

The Group classified the exposures with similar characteristics when collectively assessing the ECL allowance.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal residential mortgages, credit cards overdraft)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the grouping appropriateness regularly.

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 31 December 2021	2020
Cash and deposits with central bank	82,504,553	99,998,005
Deposits with banks and other financial institutions	20,275,410	25,012,864
Placements with banks and other financial institutions	33,951,904	21,711,156
Financial assets held under resale agreements	53,049,060	46,447,688
Loans and advances to customers		
– at amortized cost	545,791,574	506,299,688
– at fair value through other comprehensive income	91,762,237	46,868,652
Financial assets at amortized cost	157,404,703	96,599,360
Financial assets at fair value through other comprehensive income	65,205,249	75,677,332
Other financial assets	1,823,701	1,501,265
Total	1,051,768,391	920,116,010
Credit commitments	218,908,462	203,674,212

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

Corporate loans	31 December 2021				Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III			
Credit rating						
A- to AAA	148,842,702	–	–	–	–	148,842,702
B to BBB	156,958,186	16,068,047	–	–	–	173,026,233
C to CCC	–	21,769,163	–	–	–	21,769,163
D/Default	–	–	22,606,134	–	–	22,606,134
Unrated	124,789,236	4,461,613	3,709,074	29,310	–	132,989,233
Total	430,590,124	42,298,823	26,315,208	29,310	–	499,233,465
Expected credit losses allowance	(2,845,586)	(3,644,029)	(10,057,799)	(914)	–	(16,548,328)
Net carrying amount	427,744,538	38,654,794	16,257,409	28,396	–	482,685,137

As at 31 December 2021, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Personal loans	31 December 2021				Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III			
Overdue days						
Not overdue	154,870,617	714,449	48,341	–	–	155,633,407
0 to 30 days	111,188	699,046	21,685	–	–	831,919
30 to 60 days	–	380,183	26,641	–	–	406,824
60 to 90 days	–	72,154	148,197	–	–	220,351
More than 90 days/Default	–	–	1,269,106	67,858	–	1,336,964
Total	154,981,805	1,865,832	1,513,970	67,858	–	158,429,465
Expected credit losses allowance	(1,702,298)	(613,434)	(1,244,546)	(513)	–	(3,560,791)
Net carrying amount	153,279,507	1,252,398	269,424	67,345	–	154,868,674

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

Corporate loans	31 December 2020			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Credit rating					
A- to AAA	123,868,136	192,669	–	–	124,060,805
B to BBB	174,704,916	5,059,465	–	–	179,764,381
C to CCC	–	27,036,862	–	–	27,036,862
D/Default	–	–	12,426,773	–	12,426,773
Unrated	77,047,779	4,544,767	3,532,251	180,751	85,305,548
Total	375,620,831	36,833,763	15,959,024	180,751	428,594,369
Expected credit losses allowance	(1,471,346)	(3,703,951)	(6,394,640)	(1,972)	(11,571,909)
Net carrying amount	374,149,485	33,129,812	9,564,384	178,779	417,022,460

As at 31 December 2020, the analysis of the maximum credit risk exposure to loans and advances by credit rating/overdue days is as follows:

Personal loans	31 December 2020			Purchased or originated credit-impaired	Total
	Stage I	Stage II	Stage III		
Overdue days					
Not overdue	136,869,379	579,905	50,291	5,677	137,505,252
0 to 30 days	179,893	609,153	15,165	608	804,819
30 to 60 days	–	339,986	5,219	–	345,205
60 to 90 days	–	169,209	76,413	168	245,790
More than 90 days/Default	–	–	1,321,699	109,036	1,430,735
Total	137,049,272	1,698,253	1,468,787	115,489	140,331,801
Expected credit losses allowance	(2,113,122)	(809,623)	(1,261,541)	(1,635)	(4,185,921)
Net carrying amount	134,936,150	888,630	207,246	113,854	136,145,880

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2021, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2021			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	16,685,384	–	–	16,685,384
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	3,159,288	3,159,288
Unrated ⁽¹⁾	131,193,897	6,606,349	1,332,129	139,132,375
Total	147,879,281	6,606,349	4,491,417	158,977,047
Expected credit losses allowance	(19,638)	(177,881)	(1,374,825)	(1,572,344)
Net carrying amount	147,859,643	6,428,468	3,116,592	157,404,703

Financial assets at fair value through other comprehensive income	31 December 2021			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	8,408,816	–	–	8,408,816
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	–	2,837,611	2,837,611
Unrated ⁽¹⁾	50,078,053	2,188,481	1,692,288	53,958,822
Total	58,486,869	2,188,481	4,529,899	65,205,249

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments and commitment and guarantee subject to impairment (continued)

As at 31 December 2020, the analysis of the maximum credit risk exposure to financial investments by credit rating is as follows:

Financial assets at amortized cost	31 December 2020			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	13,026,326	–	–	13,026,326
B to BBB	–	–	–	–
C to CCC	–	–	–	–
D/Default	–	1,170,000	1,829,422	2,999,422
Unrated ⁽¹⁾	79,084,444	2,312,174	130,165	81,526,783
Total	92,110,770	3,482,174	1,959,587	97,552,531
Expected credit losses allowance	(12,853)	(259,149)	(681,169)	(953,171)
Net carrying amount	92,097,917	3,223,025	1,278,418	96,599,360

Financial assets at fair value through other comprehensive income	31 December 2020			Total
	Stage I	Stage II	Stage III	
Credit rating				
A- to AAA	13,325,722	–	–	13,325,722
B to BBB	–	–	–	–
C to CCC	–	82,162	–	82,162
D/Default	–	164,478	1,465,243	1,629,721
Unrated ⁽¹⁾	55,433,232	3,610,907	1,595,588	60,639,727
Total	68,758,954	3,857,547	3,060,831	75,677,332

- (1) Unrated financial assets mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies and trust and asset management plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

	As at 31 December	
	2021	2020
Financial assets at fair value through profit or loss	91,628,563	90,247,494

(v) Loans and advances to customers

By industry	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	99,733,134	15.18%	85,472,116	15.02%
Wholesale and retail	65,188,859	9.91%	61,918,810	10.88%
Real estate	59,025,406	8.98%	58,970,712	10.37%
Manufacturing	42,120,565	6.40%	38,662,748	6.80%
Construction	38,937,475	5.92%	39,218,277	6.89%
Hotel and catering	18,274,513	2.78%	18,954,296	3.33%
Resident services, repairing and other services	17,641,848	2.68%	13,039,577	2.29%
Education	12,017,335	1.83%	9,963,574	1.75%
Water, environment and public facilities management	10,472,339	1.59%	10,211,563	1.79%
Agriculture, forestry, farming and fishery	9,850,454	1.50%	10,273,440	1.81%
Transportation, warehouse and postal services	9,818,709	1.49%	10,108,741	1.78%
Information transmission, software and IT services	6,448,392	0.98%	5,922,902	1.04%
Culture, sports and entertainment	3,358,704	0.51%	2,632,448	0.46%
Financial services	3,183,114	0.48%	4,176,621	0.73%
Energy and utilities	3,027,707	0.46%	2,608,827	0.46%
Healthcare and social welfare	1,997,322	0.30%	2,204,346	0.39%
Others	5,930,814	0.90%	5,518,497	0.97%
Subtotal	407,026,690	61.89%	379,857,495	66.76%
Discounted bills	92,206,775	14.02%	48,736,874	8.57%
Personal loans	158,429,465	24.09%	140,331,801	24.67%
Total	657,662,930	100.00%	568,926,170	100.00%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

By geography	As at 31 December	
	2021	2020
Guangzhou	542,501,488	458,081,490
Pearl River Delta (except Guangzhou)	42,771,059	40,009,299
Guangdong Province (except Pearl River Delta)	41,771,747	42,692,298
Central China	20,197,504	17,936,573
Western China	2,454,174	2,445,615
Yangtze River Delta	2,418,657	2,410,851
Bohai Rim	1,271,863	1,345,882
North-east China	509,261	445,230
Others	3,767,177	3,558,932
Total	657,662,930	568,926,170

By collateral type	As at 31 December	
	2021	2020
Unsecured loans	132,719,680	85,276,731
Guaranteed loans	164,409,814	142,863,740
Collateralised loans	324,521,951	301,805,773
Pledged loans	36,011,485	38,979,926
Total	657,662,930	568,926,170

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(v) Loans and advances to customers (continued)

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2021					
Unsecured loans	305,101	249,745	105,333	19,552	679,731
Guaranteed loans	7,923,541	4,591,046	2,859,311	129,114	15,503,012
Collateralised loans	5,607,921	7,299,828	2,162,184	133,983	15,203,916
Pledged loans	289,348	61,428	9,467	2,073	362,316
Total	14,125,911	12,202,047	5,136,295	284,722	31,748,975

	Overdue loans and advances to customers				
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
31 December 2020					
Unsecured loans	279,094	456,074	55,050	18,655	808,873
Guaranteed loans	850,307	307,006	779,435	118,998	2,055,746
Collateralised loans	3,835,558	2,288,575	764,769	211,888	7,100,790
Pledged loans	18,251	2,554,483	3,845	513	2,577,092
Total	4,983,210	5,606,138	1,603,099	350,054	12,542,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality

As at 31 December 2021, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2021				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Cash and deposits with central bank	82,504,553	-	-	-	82,504,553
Deposits with banks and other financial institutions	20,281,143	-	21,378	-	20,302,521
Placements with banks and other financial institutions	33,683,022	-	563,169	-	34,246,191
Financial assets held under resale agreements	53,049,060	-	-	-	53,049,060
Loans and advances to customers	585,571,929	44,164,655	27,829,178	97,168	657,662,930
Financial assets at amortized cost	147,879,281	6,606,349	4,491,417	-	158,977,047
Financial assets at fair value through other comprehensive income	58,486,869	2,188,481	4,529,899	-	65,205,249
Other financial assets	1,307,496	724,370	220,957	-	2,252,823
Total	982,763,353	53,683,855	37,655,998	97,168	1,074,200,374

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

As at 31 December 2020, the credit quality analysis of the Group's major financial assets (without deducting the original value before the impairment provision) was as follows:

	31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Cash and deposits with central bank	100,007,162	–	–	–	100,007,162
Deposits with banks and other financial institutions	25,015,710	–	328,100	–	25,343,810
Placements with banks and other financial institutions	21,431,441	–	563,300	–	21,994,741
Financial assets held under resale agreements	46,451,942	–	–	–	46,451,942
Loans and advances to customers	512,670,103	38,532,016	17,427,811	296,240	568,926,170
Financial assets at amortized cost	92,110,770	3,482,174	1,959,587	–	97,552,531
Financial assets at fair value through other comprehensive income	68,758,954	3,857,547	3,060,831	–	75,677,332
Other financial assets	1,443,761	126,011	298,165	–	1,867,937
Total	867,889,843	45,997,748	23,637,794	296,240	937,821,625

Loans and advances for stage I and II

	31 December 2021	
	Stage I	Stage II
Not overdue	578,621,220	41,168,058
Overdue		
Within 1 month	6,950,709	1,737,258
1 to 2 months	–	1,145,419
2 to 3 months	–	113,920
Total	585,571,929	44,164,655

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Loans and advances for stage I and II (continued)

	31 December 2020	
	Stage I	Stage II
Not overdue	511,812,356	35,348,222
Overdue		
Within 1 month	857,747	2,303,851
1 to 2 months	–	472,336
2 to 3 months	–	407,607
Total	512,670,103	38,532,016

Loans and advances that are overdue but still in Stage I and II/unimpaired

As at the balance sheet date, the ageing of loans and advances overdue but still in Stage I and II/unimpaired is as follows:

	As at 31 December	
	2021	2020
Overdue		
Within 1 month	8,687,967	3,161,598
1 to 2 months	1,145,419	472,336
2 to 3 months	113,920	407,607
Total	9,947,306	4,041,541

As at 31 December 2021 and 2020, the fair value of the collateral held by the Group for overdue but still in Stage I and II/unimpaired loans was RMB10,589,670 thousand and RMB4,274,366 thousand respectively, including land, property, machinery and other assets.

Stage III/impairment of loans and advances

As at 31 December 2021 and December 2020, the fair value of the collateral held by the Group for the Stage III/impairment loan was RMB16,378,227 thousand and RMB12,823,872 thousand respectively, including land, property, machinery and equipment and other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Restructuring loans and advances

As at 31 December 2021 and 2020, the book value of the Group's restructuring loans and advances was RMB19,530,392 thousand and RMB6,669,322 thousand respectively.

As at 31 December 2021 and 2020, the book value of the Group's restructuring loans and advances in stage I was RMB901,771 thousand and RMB1,109,727 thousand respectively.

Credit rating assessed by a rating agency at the balance sheet date

The RMB bonds of the Group are mainly rated by major credit rating agencies in the PRC. Foreign currency bonds refer mainly to Standard & Poor's (S & P) ratings.

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2021				
Medium-term and long-term bonds:				
AAA	1,443,836	15,823,131	7,869,866	25,136,833
A to AA+	1,192,102	862,253	538,950	2,593,305
B to BB+	22,327	–	–	22,327
C to CC+	225,205	–	–	225,205
No rating ⁽¹⁾ :	40,562,876	131,202,920	50,715,499	222,481,295
Other no rating investments	48,182,217	11,088,743	6,080,934	65,351,894
Total	91,628,563	158,977,047	65,205,249	315,810,859

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(vi) Credit quality (continued)

Credit rating assessed by a rating agency at the balance sheet date (continued)

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
31 December 2020				
Medium-term and long-term bonds:				
AAA	2,661,296	12,474,813	12,375,514	27,511,623
A to AA+	2,802,438	551,513	950,208	4,304,159
B to BB+	–	–	–	–
C to CC+	63,091	–	82,162	145,253
No rating ⁽¹⁾ :	39,779,532	78,614,394	55,587,000	173,980,926
Other no rating investments	44,941,137	5,911,811	6,682,448	57,535,396
Total	90,247,494	97,552,531	75,677,332	263,477,357

(1) No rating debt securities mainly consist of investment and trading securities issued by the MOF, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	31,864,275	-	-	-	-	-	54,400,714	86,264,989
Deposits with banks and other financial institutions (1)	281,585	17,169,394	59,427,898	4,425,746	25,971,751	-	-	-	107,276,374
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,925,753	10,298,627	17,417,623	10,176,645	1,298,962	1,079,971	91,628,563
Financial assets at amortized cost	1,828,392	-	1,224,906	5,908,809	15,422,943	95,519,645	37,500,008	-	157,404,703
Financial assets at fair value through other comprehensive income	2,837,611	-	296,634	464,937	5,238,370	36,670,064	19,697,633	-	65,205,249
Loans and advances to customers	20,241,229	-	23,815,665	42,046,436	190,694,277	223,776,995	136,979,209	-	637,553,811
Other financial assets	384,446	-	886,158	176,419	116,962	45,089	214,627	-	1,823,701
Total financial assets	33,868,047	86,169,867	91,577,014	63,320,974	254,861,926	366,188,438	195,690,439	55,480,685	1,147,157,390
Financial liabilities:									
Due to central bank	-	-	1,211,978	2,640,444	20,943,778	-	-	63,689	24,859,889
Deposits from banks and other financial institutions (2)	-	6,070,309	36,593,258	11,914,149	15,340,489	-	-	-	69,918,205
Financial liabilities at fair value through profit or loss	-	5,619	-	-	-	-	-	-	5,619
Customer deposits (3)	-	326,115,733	25,672,379	52,556,426	174,890,665	254,441,919	273,790	15,815,892	849,766,804
Lease liabilities	-	-	25,084	50,167	200,579	529,270	131,699	-	936,799
Debt securities issued	-	-	1,378,602	35,290,277	61,365,681	-	9,999,002	-	108,033,562
Other financial liabilities	961	13,554	913,817	2,208,701	9,111,426	1,181,844	36,997	237,282	13,704,582
Total financial liabilities	961	332,205,215	65,795,118	104,660,164	281,852,618	256,153,033	10,441,488	16,116,863	1,067,225,460
Net liquidity gap	33,867,086	(246,035,348)	25,781,896	(41,339,190)	(26,990,692)	110,035,405	185,248,951	39,363,822	79,931,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (continued):

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	40,476,522	-	-	-	-	-	63,308,030	103,784,552
Deposits with banks and other financial institutions (1)	287,631	12,557,971	51,211,571	4,380,166	22,221,474	2,512,895	-	-	93,171,708
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,657,983	10,533,054	23,510,533	16,966,850	2,291,360	346,703	90,247,494
Financial assets at amortized cost	2,293,387	-	5,620,115	8,381,928	21,946,688	37,051,337	21,305,905	-	96,599,360
Financial assets at fair value through other comprehensive income	1,629,721	-	993,959	1,554,391	4,438,388	38,896,967	28,163,906	-	75,677,332
Loans and advances to customers	4,759,603	-	23,435,407	40,855,734	161,083,875	206,164,954	116,868,767	-	553,168,340
Other financial assets	599,892	-	530,893	174,848	68,323	29,892	97,417	-	1,501,265
Total financial assets	12,889,927	83,655,811	84,449,928	65,880,121	233,269,281	301,622,895	168,727,355	63,654,733	1,014,150,051
Financial liabilities:									
Due to central bank	-	-	800,000	1,706,510	17,762,483	-	-	34,234	20,303,227
Deposits from banks and other financial institutions (2)	-	5,160,140	12,882,761	12,476,018	22,599,634	-	-	-	53,118,553
Financial liabilities at fair value through profit or loss	-	5,052	-	-	-	-	-	-	5,052
Customer deposits (3)	-	317,362,600	20,925,023	44,433,433	135,312,122	247,805,356	1,398,566	11,187,754	778,424,854
Lease liabilities	-	-	25,844	51,689	198,794	575,454	106,192	-	957,973
Debt securities issued	-	-	1,496,850	20,060,068	44,088,869	999,221	9,998,868	-	76,643,876
Other financial liabilities	751	11,488	697,156	1,573,506	7,614,949	1,196,157	28,426	328,867	11,451,300
Total financial liabilities	751	322,539,280	36,827,634	80,301,224	227,576,851	250,576,188	11,532,052	11,550,855	940,904,835
Net liquidity gap	12,889,176	(238,883,469)	47,622,294	(14,421,103)	5,692,430	51,046,707	157,195,303	52,103,878	73,245,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	31,872,414	-	-	-	-	-	54,474,155	86,346,569
Deposits and placements with banks and other financial institutions (1)	281,585	17,170,899	59,449,976	4,712,371	26,459,216	-	-	-	108,074,047
Financial assets at fair value through profit or loss	8,294,784	37,136,198	5,951,995	10,350,178	18,013,236	10,601,695	1,304,209	1,079,971	92,732,266
Financial assets at amortized cost	1,828,392	-	1,383,285	6,056,328	17,419,687	108,030,732	40,518,264	-	175,236,688
Financial assets at fair value through other comprehensive income	2,837,611	-	298,711	477,855	5,746,063	42,706,340	20,874,460	-	72,941,040
Loans and advances to customers	20,241,229	-	29,581,645	57,103,680	239,070,822	256,178,163	135,124,215	-	737,299,754
Other financial assets	384,446	-	886,158	176,419	116,962	45,089	214,627	-	1,823,701
Total financial assets	33,868,047	86,179,511	97,551,770	78,876,831	306,825,986	417,562,019	198,035,775	55,554,126	1,274,454,065
Financial liabilities:									
Due to central bank	-	-	1,213,775	2,651,179	21,359,775	-	-	63,689	25,288,418
Deposits from banks and other financial institutions (2)	-	6,069,018	36,601,252	11,922,840	15,838,542	-	-	-	70,431,652
Financial liabilities at fair value through profit or loss	-	5,619	-	-	-	-	-	-	5,619
Customer deposits (3)	-	327,094,080	25,954,776	53,265,937	178,038,697	261,439,072	281,456	15,815,892	861,889,910
Lease liabilities	-	-	22,205	44,411	209,854	642,010	137,037	-	1,055,517
Debt securities issued	-	-	1,380,000	35,450,000	62,208,000	1,960,000	10,980,000	-	111,978,000
Other financial liabilities	961	13,554	916,646	2,232,771	9,217,162	1,195,334	36,997	237,282	13,850,707
Total financial liabilities	961	333,182,271	66,088,654	105,567,138	286,872,030	265,236,416	11,435,490	16,116,863	1,084,499,823
Net liquidity gap	33,867,086	(247,002,760)	31,463,116	(26,690,307)	19,953,956	152,325,603	186,600,285	39,437,263	189,954,242

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	40,486,942	-	-	-	-	-	63,393,496	103,880,438
Deposits and placements with banks and other financial institutions (1)	287,631	12,559,065	51,246,590	4,635,474	23,028,175	2,850,733	-	-	94,607,668
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,683,449	10,639,602	23,889,793	17,933,212	2,422,424	346,703	91,856,194
Financial assets at amortized cost	3,001,544	-	5,951,535	8,700,880	23,373,606	42,977,040	24,827,855	-	108,832,460
Financial assets at fair value through other comprehensive income	1,629,721	-	1,160,112	1,809,014	5,770,626	47,253,988	31,136,518	-	88,759,979
Loans and advances to customers	4,759,603	-	29,232,354	53,552,468	203,084,151	237,193,645	116,142,512	-	643,964,733
Other financial assets	599,892	-	530,893	174,848	68,323	29,892	97,417	-	1,501,265
Total financial assets	13,598,084	83,667,325	90,804,933	79,512,286	279,214,674	348,238,510	174,626,726	63,740,199	1,133,402,737
Financial liabilities:									
Due to central bank	-	-	801,068	1,714,865	18,021,560	-	-	34,234	20,571,727
Deposits from banks and other financial institutions (2)	-	5,160,156	12,956,746	12,664,161	23,000,297	-	-	-	53,781,360
Financial liabilities at fair value through profit or loss	-	5,052	-	-	-	-	-	-	5,052
Customer deposits (3)	-	318,315,659	20,794,352	45,033,284	137,740,474	254,620,003	1,437,726	11,187,754	789,129,252
Lease liabilities	-	-	22,388	44,776	207,120	678,853	152,939	-	1,106,076
Debt securities issued	-	-	1,500,000	20,250,000	44,908,000	2,998,000	11,470,000	-	81,126,000
Other financial liabilities	751	11,488	710,038	1,612,795	7,891,553	1,229,466	28,426	328,867	11,813,384
Total financial liabilities	751	323,492,355	36,784,592	81,319,881	231,769,004	259,526,322	13,089,091	11,550,855	957,532,851
Net liquidity gap	13,597,333	(239,825,030)	54,020,341	(1,807,595)	47,445,670	88,712,188	161,537,635	52,189,344	175,869,886

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

(ii) Maturity analysis of contractual undiscounted cash flows (continued)

- (1) Includes financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(iii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
31 December 2021								
Credit commitments	146,867,911	5,446,325	5,901,045	28,044,425	22,268,914	10,379,842	-	218,908,462
31 December 2020								
Credit commitments	139,532,553	4,732,684	66,867	27,714,139	23,244,408	8,383,561	-	203,674,212

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices.

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies.

Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business. The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity.

A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, the actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk are not incorporated.

Currency	Exchange rate fluctuation %	Effect on net profit	
		2021	2020
USD	-1%	(30,208)	(40,021)
USD	1%	30,208	40,021
HKD	-1%	(22,570)	(11,963)
HKD	1%	22,570	11,963

While the table above indicates the effect on net profit of 1% change of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

The table below summarizes the Group's exposure to currency risk. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by original currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk

31 December 2021	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	85,776,083	344,977	128,482	15,447	86,264,989
Deposits and placements with banks and other financial institutions	96,315,276	5,162,770	5,557,982	240,346	107,276,374
Loans and advances to customers	636,625,153	928,658	–	–	637,553,811
Financial assets at fair value through profit or loss	91,628,563	–	–	–	91,628,563
Financial assets at amortized cost	157,404,703	–	–	–	157,404,703
Financial assets at fair value through other comprehensive income	65,205,249	–	–	–	65,205,249
Other financial asset	1,822,745	956	–	–	1,823,701
Total financial asset	1,134,777,772	6,437,361	5,686,464	255,793	1,147,157,390
Liabilities:					
Due to central bank	24,859,889	–	–	–	24,859,889
Deposits and placements from banks and other financial institutions	69,918,205	–	–	–	69,918,205
Financial liabilities at fair value through profit or loss	5,619	–	–	–	5,619
Customer deposits	844,447,688	2,403,781	2,670,841	244,494	849,766,804
Lease liabilities	936,799	–	–	–	936,799
Debt securities issued	108,033,562	–	–	–	108,033,562
Other financial liabilities	13,697,997	311	6,272	2	13,704,582
Total financial liabilities	1,061,899,759	2,404,092	2,677,113	244,496	1,067,225,460
Net assets and liabilities position	72,878,013	4,033,269	3,009,351	11,297	79,931,930
Credit commitments	218,719,129	188,163	–	1,170	218,908,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

31 December 2020	RMB	USD Into RMB	HKD Into RMB	Others Into RMB	Total Into RMB
Assets:					
Cash and deposits with central bank	103,499,973	221,386	63,193	–	103,784,552
Deposits and placements with banks and other financial institutions	83,585,723	6,874,418	2,429,092	282,475	93,171,708
Loans and advances to customers	552,556,961	611,379	–	–	553,168,340
Financial assets at fair value through profit or loss	90,247,494	–	–	–	90,247,494
Financial assets at amortized cost	96,029,964	–	569,396	–	96,599,360
Financial assets at fair value through other comprehensive income	75,677,332	–	–	–	75,677,332
Other financial asset	1,500,286	979	–	–	1,501,265
Total financial asset	1,003,097,733	7,708,162	3,061,681	282,475	1,014,150,051
Liabilities:					
Due to central bank	20,303,227	–	–	–	20,303,227
Deposits and placements from banks and other financial institutions	53,118,553	–	–	–	53,118,553
Financial liabilities at fair value through profit or loss	5,052	–	–	–	5,052
Customer deposits	774,333,399	2,371,688	1,460,118	259,649	778,424,854
Lease liabilities	957,973	–	–	–	957,973
Debt securities issued	76,643,876	–	–	–	76,643,876
Other financial liabilities	11,444,538	303	6,457	2	11,451,300
Total financial liabilities	936,806,618	2,371,991	1,466,575	259,651	940,904,835
Net assets and liabilities position	66,291,115	5,336,171	1,595,106	22,824	73,245,216
Credit commitments	203,626,949	45,990	655	618	203,674,212

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net profit and equity.

	Effect on net profit		Effect on equity	
	31 December		31 December	
	2021	2020	2021	2020
Change in basis points				
+100bps	(1,225,622)	(495,934)	(1,547,002)	(1,972,759)
-100bps	1,225,622	495,934	1,682,245	2,112,655

The sensitivity of the net profit is the effect of a reasonable possible change in interest rates on the net profit for one year, in respect of the financial assets and liabilities held at the end of the reporting period. The effect on other comprehensive income is calculated by revaluing the year end portfolio of fixed-rate FVOCI financial assets, based on a reasonable possible change in interest rates.

The above sensitivity analyses are based on the following assumptions: (i) all assets and liabilities that are repriced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be repriced in the mid of the respective bands; (ii) there are parallel shifts in the yield curve; and (iii) there are no other changes in the portfolios of assets and liabilities. The Group considers that the assumptions do not reflect their capital utilisation and interest rate risk management policies. Therefore, the above impact may differ from the actual situation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Moreover, the above analysis is for illustration only and represents the effect of pro forma movements in net profit and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk.

	31 December 2021						Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Non-interest bearing	
Assets:							
Cash and deposits with central bank	82,475,481	-	-	-	-	3,789,508	86,264,989
Deposits and placements with banks and other financial institutions (1)	80,885,927	25,971,751	-	-	281,585	137,111	107,276,374
Loans and advances to customers	116,038,686	415,818,518	77,550,227	7,905,151	20,241,229	-	637,553,811
Financial assets at fair value through profit or loss	53,284,994	18,062,540	9,758,700	287,792	8,294,784	1,939,753	91,628,563
Financial assets at amortized cost	6,164,921	14,181,480	96,095,432	36,862,632	1,828,392	2,271,846	157,404,703
Financial assets at fair value through other comprehensive income	370,105	4,754,301	36,942,672	19,111,997	2,837,611	1,188,563	65,205,249
Other financial asset	-	-	-	-	-	1,823,701	1,823,701
Total financial asset	339,220,114	478,788,590	220,347,031	64,167,572	33,483,601	11,150,482	1,147,157,390
Liabilities							
Due to central bank	3,852,422	20,943,778	-	-	-	63,689	24,859,889
Deposits and placements from banks and other financial institutions (2)	54,347,013	15,338,000	-	-	-	233,192	69,918,205
Financial liabilities at fair value through profit or loss	-	-	-	-	-	5,619	5,619
Customer deposits	404,344,538	174,890,665	254,441,919	273,790	-	15,815,892	849,766,804
Lease liabilities	75,251	200,579	529,270	131,699	-	-	936,799
Debt securities issued	36,668,879	60,959,143	-	9,999,002	-	406,538	108,033,562
Other financial liabilities	5,150,000	5,386,000	191,836	-	-	2,976,746	13,704,582
Total financial liabilities	504,438,103	277,718,165	255,163,025	10,404,491	-	19,501,676	1,067,225,460
Total interest sensitivity gap	(165,217,989)	201,070,425	(34,815,994)	53,763,081	33,483,601	(8,351,194)	79,931,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	31 December 2020						Non-interest bearing	Total
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue			
Assets:								
Cash and deposits with central bank	99,974,047	-	-	-	-	-	3,810,505	103,784,552
Deposits and placements with banks and other financial institutions (1)	68,010,416	22,200,105	2,490,177	-	287,631	183,379	93,171,708	
Loans and advances to customers	138,957,575	318,171,256	80,413,932	10,865,974	4,759,603	-	553,168,340	
Financial assets at fair value through profit or loss	44,757,152	23,071,995	16,144,401	1,227,963	3,319,693	1,726,290	90,247,494	
Financial assets at amortized cost	13,595,547	21,496,691	36,967,925	21,031,415	2,293,387	1,214,395	96,599,360	
Financial assets at fair value through other comprehensive income	2,163,323	5,651,426	38,609,717	26,247,643	1,629,721	1,375,502	75,677,332	
Other financial asset	-	-	-	-	-	1,501,265	1,501,265	
Total financial asset	367,458,060	390,591,473	174,626,152	59,372,995	12,290,035	9,811,336	1,014,150,051	
Liabilities								
Due to central bank	2,506,510	17,762,483	-	-	-	34,234	20,303,227	
Deposits and placements from banks and other financial institutions (2)	30,428,484	22,466,830	-	-	-	223,239	53,118,553	
Financial liabilities at fair value through profit or loss	-	-	-	-	-	5,052	5,052	
Customer deposits	382,721,056	135,312,122	247,805,356	1,398,566	-	11,187,754	778,424,854	
Lease liabilities	77,533	198,794	575,454	106,192	-	-	957,973	
Debt securities issued	21,150,380	44,088,869	999,221	9,998,868	-	406,538	76,643,876	
Other financial liabilities	2,816,667	6,940,000	287,754	-	-	1,406,879	11,451,300	
Total financial liabilities	439,700,630	226,769,098	249,667,785	11,503,626	-	13,263,696	940,904,835	
Total interest sensitivity gap	(72,242,570)	163,822,375	(75,041,633)	47,869,369	12,290,035	(3,452,360)	73,245,216	

(1) Includes financial assets held under resale agreements.

(2) Includes financial assets sold under repurchase agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

The Group's regulatory capital is managed by its financial department and consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital management (continued)

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 31 December	
	2021	2020
Net common equity tier 1 capital	71,617,718	60,398,707
Net tier 1 capital	81,845,779	70,512,335
Net capital	96,883,055	82,469,589
Risk-weighted assets	739,973,775	656,572,371
Common equity tier 1 capital adequacy ratio	9.68%	9.20%
Tier 1 capital adequacy ratio	11.06%	10.74%
Capital adequacy ratio	13.09%	12.56%

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	43,386,171	60,175	43,446,346
– Funds and other investments	37,984,114	–	10,198,103	48,182,217
Financial assets at fair value through other comprehensive income				
– Debt securities	–	58,653,342	470,973	59,124,315
– Other investments	–	–	6,080,934	6,080,934
Loans and advances at fair value through other comprehensive income	–	91,762,237	–	91,762,237
Total	37,984,114	193,801,750	16,810,185	248,596,049

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	45,306,357	–	45,306,357
– Funds and other investments	30,619,699	–	14,321,438	44,941,137
Financial assets at fair value through other comprehensive income				
– Debt securities	–	68,994,884	–	68,994,884
– Other investments	–	–	6,682,448	6,682,448
Loans and advances at fair value through other comprehensive income	–	46,868,652	–	46,868,652
Total	30,619,699	161,169,893	21,003,886	212,793,478

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables present the changes in Level 3 assets for the year ended 31 December 2021 and 2020:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2021	–	14,321,438	–	6,682,448	21,003,886
Purchase	60,175	3,812,799	470,973	–	4,343,947
Transfer to Level 3	–	–	–	–	–
Total gains and losses					
– Realized gains and losses	–	21,928	–	146,778	168,706
– Other comprehensive income	–	–	–	(452,492)	(452,492)
Settlement	–	(7,958,062)	–	(295,800)	(8,253,862)
At 31 December 2021	60,175	10,198,103	470,973	6,080,934	16,810,185

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Debt securities	Funds and other investments	Debt securities	Other investments	
At 1 January 2020	29,777	32,790,871	–	15,437,022	48,257,670
Purchase	–	4,248,082	–	4,183	4,252,265
Transfer to Level 3	–	–	–	–	–
Total gains and losses					
– Realized gains and losses	4,964	(1,568,738)	–	(295,038)	(1,858,812)
– Other comprehensive income	–	–	–	(330,832)	(330,832)
Settlement	(34,741)	(21,148,777)	–	(8,132,887)	(29,316,405)
At 31 December 2020	–	14,321,438	–	6,682,448	21,003,886

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments measured at fair value (continued)

Determination of fair value and fair value hierarchy (continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	31 December 2021	31 December 2020		
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	60,175		– Discounted cash flow	Risk-adjusted discount rate, cash flow
– Funds and other investments	10,198,103	14,321,438	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Debt securities	470,973		– Discounted cash flow	Risk-adjusted discount rate, cash flow
– Other investments	6,080,934	6,682,448	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	16,810,185	21,003,886		

During the years ended 31 December 2021 and 2020, there were no significant change in the valuation techniques.

As at 31 December 2021 and 2020, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the years of 2021 and 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial instruments for which fair values are disclosed

As at 31 December 2021, financial assets and liabilities not presented at fair value on the consolidated statement of financial position mainly represent "Deposits with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued" (31 December 2020: same).

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 31 December	
	2021	2020
Carrying amount:		
Financial assets at amortized cost	157,404,703	96,599,360
Debt securities issued	108,033,562	76,643,876
Fair Value:		
Financial assets at amortized cost	161,185,372	97,036,231
Debt securities issued	108,308,476	76,798,002

47 EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholder's resolutions on 18 February 2022, the bank made a RMB0.25 billion capital contribution to a subsidiary, which resulted the percentage of equity interests held by the bank increased from 84.44% to 91.33%. Except as aforementioned, as of 31 March 2022, the Group has no other material events that requires additional disclosure in its financial statements for the year ended 31 December 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

48 STATEMENT OF FINANCIAL POSITION OF THE BANK

	31 December 2021	31 December 2020
ASSETS		
Cash and deposits with central bank	68,367,317	88,359,970
Deposits with banks and other financial institutions	9,734,255	12,550,815
Placements with banks and other financial institutions	30,183,956	18,428,945
Financial assets held under resale agreements	52,976,159	45,594,637
Loans and advances to customers	554,296,730	482,330,490
Financial investments		
– Financial assets at fair value through profit or loss	95,277,471	90,455,641
– Financial assets at fair value through other comprehensive income	50,041,878	68,830,069
– Financial assets at amortized cost	138,967,411	74,178,799
Investment in subsidiaries	7,679,435	7,403,206
Property and equipment	1,591,458	1,732,944
Deferred tax assets	6,792,182	5,918,119
Other assets	5,023,095	4,887,613
Total assets	1,020,931,347	900,671,248
LIABILITIES		
Due to central bank	22,510,180	18,449,937
Deposits from banks and other financial institutions	43,881,980	49,684,643
Placements from banks and other financial institutions	800,051	816,982
Financial liabilities at fair value through profit or loss	5,619	5,052
Financial assets sold under repurchase agreements	24,971,420	8,308,417
Customer deposits	737,225,520	671,427,868
Income tax payable	708,526	1,503,338
Debt securities issued	107,005,472	75,616,155
Other liabilities	7,010,059	8,338,126
Total liabilities	944,118,827	834,150,518
EQUITY		
Share capital	11,451,269	9,808,269
Preference shares	9,820,734	9,820,734
Reserves	37,669,139	27,606,005
Retained earnings	17,871,378	19,285,722
Total equity	76,812,520	66,520,730
Total liabilities and equity	1,020,931,347	900,671,248

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

49 RESERVES OF THE BANK

The movements in reserves and retained profits of the Bank during the years 2021 and 2020 are set out below:

	Reserves				Total	Retained profits
	Capital reserve	Surplus reserve	General reserve	Other comprehensive income		
Balance at 1 January 2020	10,971,307	4,961,236	10,342,435	1,108,580	27,383,558	19,308,680
Net profit for the year	-	-	-	-	-	4,119,846
Other comprehensive income for the year	-	-	-	(1,323,187)	(1,323,187)	-
Shareholders' donation	29,254	-	-	-	29,254	-
Appropriation to surplus reserve	-	-	-	-	-	-
Appropriation to general reserve	-	-	1,516,380	-	1,516,380	(1,516,380)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,961,654)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(664,770)
Balance at 31 December 2020	11,000,561	4,961,236	11,858,815	(214,607)	27,606,005	19,285,722
Balance at 1 January 2021	11,000,561	4,961,236	11,858,815	(214,607)	27,606,005	19,285,722
Net profit for the year	-	-	-	-	-	2,942,838
Other comprehensive income for the year	-	-	-	244,635	244,635	-
Contribution of shareholders	8,019,981	-	-	-	8,019,981	-
Shareholders' donation	9,254	-	-	-	9,254	-
Appropriation to surplus reserve	-	294,284	-	-	294,284	(294,284)
Appropriation to general reserve	-	-	1,494,980	-	1,494,980	(1,494,980)
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	(1,961,654)
Dividends declared and paid to preference shareholders	-	-	-	-	-	(606,264)
Balance at 31 December 2021	19,029,796	5,255,520	13,353,795	30,028	37,669,139	17,871,378

50 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2021

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

1. LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity Ratio

	As at 31 December 2021	As at 31 December 2020
Liquidity ratio (RMB and foreign currency)	93.15%	87.52%

(2) Liquidity coverage ratio

	As at 31 December 2021	As at 31 December 2020
High-quality liquid assets	179,797.52	161,194.23
Net cash outflows in future 30 days	55,247.03	68,477.68
Liquidity coverage ratio (%)	325.44%	235.40%

(3) Net stable funding ratio

	As at 30 September 2021	As at 30 September 2021	As at 30 June 2021
Available and stable funds	726,240.76	706,677.93	679,774.29
Required stable funds	637,609.62	588,903.94	586,043.13
Net stable funding ratio	113.90%	120.00%	115.99%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

2. CURRENCY CONCENTRATION

	As at 31 December 2021			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Subtotal
Spot assets	6,774.19	5,688.63	280.16	12,742.98
Spot liabilities	6,710.27	5,688.63	280.16	12,679.06
Net long/(short) position	63.92	-	-	63.92

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. CURRENCY CONCENTRATION (CONTINUED)

	As at 31 December 2020			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,720.79	3,071.13	318.37	11,110.29
Spot liabilities	(7,655.91)	(3,071.13)	(318.37)	(11,045.41)
Net long/(short) position	64.88	–	–	64.88

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 31 December 2021 and 31 December 2020.

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. A country or geographical region 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.

	As at 31 December 2021		Total
	Banks and other financial institutions	Non-bank private institutions	
Asia Pacific	10,880.91	926.58	11,807.49
of which attributed to Hong Kong	5,871.54	–	5,871.54
North and South America	892.88	–	892.88
Europe	11.50	–	11.50
Oceania	25.11	–	25.11
Total	11,810.40	926.58	12,736.98

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

3. INTERNATIONAL CLAIMS (CONTINUED)

	As at 31 December 2020		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	9,894.19	610.92	10,505.11
of which attributed to Hong Kong	3,970.51	–	3,970.51
North and South America	523.72	–	523.72
Europe	8.67	–	8.67
Oceania	5.86	–	5.86
Total	10,432.44	610.92	11,043.36



广州农商银行

GUANGZHOU RURAL COMMERCIAL BANK