



盛京銀行
SHENGJING BANK

Shengjing Bank Co., Ltd.*

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

Stock Code: 02066



2021
Annual Report

2021

Annual Report



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* *Shengjing Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.*



COMPANY INFORMATION

Legal Name in Chinese	盛京銀行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	QIU Huofa
Authorised Representatives	QIU Huofa and ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	Unit 4105, 41/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published	http://www.hkexnews.hk/
Place of Maintenance of the Annual Report	Office of the Board of Directors of Shengjing Bank
Short Name	Shengjing Bank
Stock Code	02066

COMPANY INFORMATION (CONTINUED)

H Share Registrar and its Business Address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong
Legal Advisor as to PRC Laws and its Business Address	Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
Legal Advisor as to Hong Kong Law and its Business Address	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
Auditor and its Business Address	KPMG 8th Floor, Prince’s Building 10 Chater Road Hong Kong



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2021	2020	Year-on- year change between 2021 and 2020	2019	2018	2017
			Rate of change (%)			
Operating Results						
Interest income	40,915,676	42,533,959	(3.8)	44,944,020	42,805,495	42,277,528
Interest expense	(28,528,067)	(27,975,598)	2.0	(28,594,168)	(30,387,931)	(30,201,911)
Net interest income	12,387,609	14,558,361	(14.9)	16,349,852	12,417,564	12,075,617
Net non-interest income	3,079,002	1,708,452	80.2	4,657,415	3,467,902	1,174,066
Operating income	15,466,611	16,266,813	(4.9)	21,007,267	15,885,466	13,249,683
Operating expenses	(5,855,054)	(5,050,086)	15.9	(4,631,365)	(3,945,215)	(3,617,442)
Impairment losses on assets	(9,507,962)	(10,625,363)	(10.5)	(10,233,200)	(6,401,249)	(1,403,284)
Operating profit	103,595	591,364	(82.5)	6,142,702	5,539,002	8,228,957
Profit before taxation	103,595	591,364	(82.5)	6,142,702	5,539,002	8,228,957
Income tax expense	327,288	640,577	(48.9)	(704,641)	(412,854)	(654,818)
Net profit	430,883	1,231,941	(65.0)	5,438,061	5,126,148	7,574,139
Net profit attributable to equity shareholders of the Bank	401,961	1,203,777	(66.6)	5,443,224	5,128,717	7,580,055



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2021	2020	Year-on- year change between 2021 and 2020	2019	2018	2017
			change			
Calculated on a per share basis (RMB)						
Basic and diluted earnings per share	0.05	0.14	(0.09)	0.90	0.88	1.31
			Rate of change (%)			
Major indicators of assets/liabilities						
Total assets	1,006,126,253	1,037,958,375	(3.1)	1,021,480,796	985,432,940	1,030,617,431
Of which: total loans and advances to customer ⁽¹⁾	586,032,668	547,062,557	7.1	457,202,375	376,597,360	279,513,418
Total liabilities	925,623,312	957,911,826	(3.4)	942,358,811	928,403,456	978,361,775
Of which: total deposits from customers ⁽¹⁾	737,032,942	681,404,747	8.2	641,428,191	514,166,997	473,580,808
Share capital	8,796,680	8,796,680	0.0	8,796,680	5,796,680	5,796,680
Equity attributable to equity shareholders of the Bank	79,879,402	79,451,932	0.5	78,555,532	56,457,868	51,681,375
Total equity	80,502,941	80,046,549	0.6	79,121,985	57,029,484	52,255,656
			change			
Profitability indicators (%)						
Return on average total assets ⁽²⁾	0.04	0.12	(0.08)	0.54	0.51	0.78
Return on average equity ⁽³⁾	0.54	1.55	(1.01)	7.99	9.38	15.36
Net interest spread ⁽⁴⁾	1.39	1.55	(0.16)	1.59	1.33	1.36
Net interest margin ⁽⁵⁾	1.40	1.62	(0.22)	1.76	1.43	1.50
Net fee and commission income to operating income	2.78	4.23	(1.45)	5.50	3.95	12.17
Cost-to-income ratio ⁽⁶⁾	36.26	29.76	6.50	21.31	24.13	26.22
			change			
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁷⁾	3.28	3.26	0.02	1.75	1.71	1.49
Allowance to non-performing loans ⁽⁸⁾	130.87	114.05	16.82	160.90	160.81	186.02
Allowance to total loans ⁽⁹⁾	4.29	3.72	0.57	2.82	2.75	2.77



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2021	2020	Year-on- year change between 2021 and 2020	2019	2018	2017
			change			
Capital adequacy indicators (%)						
Core Tier-one capital adequacy ratio ⁽¹⁰⁾	10.54	11.07	(0.53)	11.48	8.52	9.04
Tier-one capital adequacy ratio ⁽¹⁰⁾	10.54	11.07	(0.53)	11.48	8.52	9.04
Capital adequacy ratio ⁽¹⁰⁾	12.12	12.23	(0.11)	14.54	11.86	12.85
Total equity to total assets ratio	8.00	7.71	0.29	7.75	5.79	5.07
			change			
Other indicators (%)						
Loan-to-deposit ratio ⁽¹¹⁾	79.51	80.28	(0.77)	71.28	73.24	59.02

Notes:

- (1) Total balance of loans and advances to customers excludes interest receivables, total deposits from customers excludes interest payables.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and at the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (9) Calculated by dividing the balance of the provision for impairment on loans by the total balance of loans and advances to customers.
- (10) Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the guidance promulgated by the former CBRC (effective from 1 January 2013).
- (11) The deposit-to-loan ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.



CHAIRMAN'S STATEMENT

2021 is a milestone year in the development history of Shengjing Bank. In the face of the complex and ever-changing external environment and a series of challenges faced by the banking industry, under the strong leadership of Party Committee and governments at all levels, under the guidance and support of regulatory authorities, and under the guidance of the strategic vision of "being a sound bank", Shengjing Bank has made concerted efforts to overcome difficulties, continued to carry out strategic transformation, reform and innovation, actively supported local economic development, effectively improved regional competitiveness, influence and anti-risk ability, achieved remarkable results in operation and management, and opened a new journey of connotative high-quality development. As of 31 December 2021, the total asset of Shengjing Bank amounted to RMB1,006.126 billion, the total amount of loans and advances to customers amounted to RMB586.033 billion, the total amount of deposits from customers amounted to RMB737.033 billion, and the operating income amounted to RMB15.467 billion.

This year, we comprehensively strengthened the Party's leadership and led high-quality development with high-quality Party building. We have always adhered to political guidance and cultural implementation, given top priority to Party's political construction, and made full use of the leading role of the Party Committee in "providing direction, managing the overall situation and ensuring implementation". With the unity of thought and action and the sharing of weal and woe, all the cadres and employees have become a mighty force of reform and development, shouldering the historical mission of being the main force of local economic development and finance, and showing the style of Shengjing in the new era of striving and taking responsibility.

This year, we continued to optimize the shareholding structure and entered a new era of operation and development development. Under the leadership and support of provincial and municipal Party Committee, government and regulatory authorities, Shenyang Municipal State-owned enterprises increased their holdings and became the largest shareholder of the Bank, which significantly optimized the shareholding structure of the Bank, greatly boosted business morale, continuously improved market images, and significantly enhanced social credibility. Shengjing Bank has entered a new era of operation and development.

This year, we adhered to our original intention, adhered to our mission and achieved remarkable results in serving the real economy. Based on the market positioning of "serving the local economy, serving the small and medium-sized enterprises, as well as serving urban and rural residents", we continued to increase credit support for the local economy centering on the major decisions and arrangements of provincial and municipal governments; actively implemented the concept of Inclusive Finance, provided diversified and one-stop financing services for small and micro enterprises with sound service system and rich product system, and helped enterprises reduce costs and increase benefits. As of the end of 2021, the loan balance of the Bank had increased by RMB38.970 billion as compared with the beginning of the year, with an increase of 7.1%; the Bank's inclusive credit business increased by 58%, reaching a record high. We have unswervingly implemented the basic policy of "taking deposits as the key foundation of the Bank", and achieved steady growth in deposits. As of the end of 2021, the balance of all deposits in the Bank increased by RMB55.628 billion as compared with the beginning of the year, with an increase of 8.2%.



CHAIRMAN'S STATEMENT (CONTINUED)

This year, we accelerated the transformation and deeply cultivated our customers, and our business development foundation became more solid.

We have continuously promoted the coordinated development of the Company, retail and financial market, deeply cultivated customer resources, cultivated business advantages, and continuously enhanced the efficiency of transformation and development. The Bank has comprehensively promoted the industry financial strategy, focused on preferred industries and mainstream customer groups, and adopted the service model centering around financing, resource integration, capital operation and asset management to create a characteristic and light corporate banking. Retail banking has carried out whole product comprehensive marketing, whole-channel customer acquisition, whole-scene marketing expansion, integrated customer group operation and digital precision marketing to fully promote the construction of retail banking with high efficiency. The financial market business has achieved professional, refined and characteristic development, and built a harmonious and win-win industrial cooperation ecosystem.

This year, we conducted strict governance and scientific management, and made new breakthroughs in the construction of internal risk control.

The Bank has formulated an action plan to strengthen comprehensive risk management and internal control compliance, with clear objectives, clear paths and systematic promotion of risk internal control compliance construction throughout the Bank, so as to lay a solid foundation for the high-quality development of the Bank. We have further improved the modern enterprise system, clarified the requirements of full-cycle system management, and continuously enhanced the effectiveness of internal control. We have strengthened the construction of compliance management, cultivated a stable and prudent business culture, and our business philosophy of adhering to the bottom line of risk and compliance has been deeply rooted in the hearts of the people, forming a good atmosphere of integrity, political harmony, solidarity and joint efforts.

The mountain scenery in spring has come into view, and we are now at the right moment to struggle. In the journey of building a good bank, Shengjing Bank will stride forward to the sunshine and climb up step by step. We firmly believe that under the strong leadership of the Party committee and governments at all levels, with the strong support of all sectors of society and the joint efforts of all employees, Shengjing Bank will achieve all-round and high-quality development.

QIU Huofa
Chairman:

HONOURS AND AWARDS

Titles of Honour and Award	Awarding Entity
Ranked 148th in the Top 1000 Global Banks	The Banker magazine
Most Valuable Investment Award at the “2021 China Finance Awards”	China Financing
Brand Building Bank of the Year 2021	21st Century Business Herald
2021 Outstanding Mobile Banking	Investment Times
Outstanding Regional Commercial Bank of the Year 2021 by “China Internet Banking Industry Awards”	China Finance
“Jin Qiao Award” Most Valuable Commercial Bank for Investment	Investor Network
2021 Competitive Excellence Value Growth Bank	China Business Journal
“China Golden Tripod Award 2021” for supporting local economic development	National Business Daily
“The 5th Annual Retail Banking Innovation Practice Awards” Top 10 Retail Bank Award for City Bank	Retail Banking
“Golden Prestige Award” for Outstanding Cash Management Product	PY Standard
“Golden Prestige Award” for Excellence in Investment Return Banking	
Credit Card User of the Year	Financial Digital Development Alliance
Remote Banking Centre Under Credit Card Centre for a good example of excellent case in the banking sector	Customer Watch
Outstanding Cases of Financial Services for MSMEs in 2021	Organizing Committee of China SME Investment&Finance Expo
2021 Outstanding Contribution Award	City Commercial Banks Clearing
Market Impact Award – Core Dealer of the Year, Market Impact Award – Money Market Dealer of the Year, Market Innovation Award – X-Repo	National Interbank Funding Center
Outstanding institution in collateral management services	China Central Depository & Clearing Co., Ltd.
2021 Pioneering Party Building Organizations in Liaoning	Liaoshen Evening News
Financial Enterprise of the Year 2021 for Outstanding Contribution to Local Economic Development	National Alliance of Provincial Party Newspapers



MANAGEMENT DISCUSSION AND ANALYSIS

5.1 ANALYSIS OF OVERALL OPERATIONS

2021 marks the start of the “14th Five-Year” Plan. In the face of the complex and volatile external environment, Shengjing Bank focused on the goal of “building a sound bank”, actively implemented the management strategy of “focusing on deposit growth, focusing on customer base building, focusing on value creation, and focusing on ability improvement”, and comprehensively promoted equity optimisation, strategic transformation and business development, stabilised scale, optimised structure, enhanced foundation, and promoted transformation, with operations generally showing a good trend of progress amidst stability.

I. Continued growth in deposit and loan business and continuous improvement in regional competitiveness

In 2021, the Bank adhered to returning to its roots and focusing on principal businesses, thoroughly implemented the basic banking policy of “taking deposits as the key foundation of the Bank”, and expanded credit business to support the development of the real economy, achieving steady growth in the scale of deposits and loans. The total loans and advances to customers made by the Bank as at 31 December 2021 amounted to RMB586.033 billion with an increase of RMB38.970 billion or 7.1% as compared with that at the end of previous year; total deposits from customers amounted to RMB737.033 billion, with an increase of RMB55.628 billion or 8.2% as compared with that at the end of the previous year. As of 31 December 2021, the Bank’s deposit market share in Shenyang continued to maintain its No. 1 position, and the deposit market share in Beijing, Shanghai, Tianjin and other places increased steadily.

II. Continuous optimisation of business structure and increasingly stability in business development

In 2021, the Bank strengthened asset and liability allocation management, actively expanded diversified customer base of strategic, key and basic customers, and optimised business, customer and revenue structure. As of 31 December 2021, the total loans and advances to customers accounted for 58.2% of total assets with an increase of 5.5 percentage points compared with the end of the previous year; the total deposits from customers accounted for 79.6% of total liabilities with an increase of 8.5 percentage points as compared with the end of the previous year; among which, personal deposits accounted for 57.0% of total deposits from customers with an increase of 4.5 percentage points as compared with the end of the previous year, further enhancing the stability of the source of liabilities. During the reporting period, the Bank actively carried out swing trading of bonds and bills, achieving net non-interest income of RMB3.079 billion, representing a year-on-year increase of RMB1.371 billion, with the net non-interest income accounting for 19.9% of total operating income, a year-on-year increase of 9.4 percentage points.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

III. Maintenance of stable asset quality and steady enhancement of risks offset ability

In 2021, the Bank actively optimised its shareholding structure, and the municipal state-owned enterprise increased its shareholding in the Bank to become the largest shareholder, further enhancing its risk resistance capability. The Bank adhered to the principle of prudent operation, continued to improve the construction of a comprehensive, all-employee and full-process risk management system, adjusted credit granting strategies, optimised loan investment, strengthened the application of financial technology in credit risk prevention and control, and strictly controlled incremental credit risks. The Bank actively resolved the existing risks, continued to increase the recovery and disposal of non-performing assets and the provision for impairment, and improved the level of provision and risk coverage and disposal capacity. As of 31 December 2021, the non-performing loans ratio of the Bank was 3.28%, representing a slight increase of 0.02 percentage point as compared with the end of the previous year; the allowance to non-performing loans was 130.87%, representing an increase of 16.82 percentage points as compared with the end of the previous year; the loan provision ratio was 4.29%, representing an increase of 0.57 percentage point as compared with the end of the previous year.

IV. In-depth promotion of business transformation and continuous accumulation of development potential

In 2021, the Bank implemented the in-depth operation transformation and structural adjustment, and actively built a retail banking business system featuring “all products, all channels, all scenarios, integration and digitalization”, achieving results in large-scale retail transformation strategy and continuous growth in business scale and customer base. As of 31 December 2021, personal deposits of the Bank amounted to RMB419.843 billion, representing an increase of RMB61.938 billion or 17.3% as compared with the end of the previous year; personal loans amounted to RMB100.725 billion, representing an increase of RMB23.267 billion or 30.0% as compared with the end of the previous year. The number of retail customers increased by 11.4% to 26.22 million, and the number of wealth customers increased by 32.6% to 0.22 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2 FINANCIAL REVIEW

5.2.1 Analysis of the Income Statement

In 2021, the Bank achieved a net profit of RMB0.431 billion, representing a year-on-year decrease of RMB0.801 billion or 65.0%. It was mainly because during the reporting period, affected by the slow economic growth together with the pandemic, certain customers experienced difficulties in operation, leading to weaker capability for current interest repayment. The Bank actively implemented the guidance of policy of reduction in financing cost, continuously carried out fees reduction and interest concession to alleviate the difficulties encountered by enterprises, implemented strict risk preference, adjusted credit orientation, and optimised customer structure along with the decline of loan pricing level; the Bank also stringently ensured classification of asset risks, stepped up its efforts to deal with non-performing assets and provision for impairment based on the principle of prudence, and continuously enhanced risk offsetting.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Interest income	40,915,676	42,533,959	(1,618,283)	(3.8)
Interest expense	(28,528,067)	(27,975,598)	(552,469)	2.0
Net interest income	12,387,609	14,558,361	(2,170,752)	(14.9)
Net fee and commission income	429,470	688,878	(259,408)	(37.7)
Net trading losses	(708,318)	(732,922)	24,604	(3.4)
Net gains arising from investments	3,293,256	1,592,197	1,701,059	106.8
Other operating income	64,594	160,299	(95,705)	(59.7)
Operating income	15,466,611	16,266,813	(800,202)	(4.9)
Operating expenses	(5,855,054)	(5,050,086)	(804,968)	15.9
Impairment losses on assets	(9,507,962)	(10,625,363)	1,117,401	(10.5)
Profit before taxation	103,595	591,364	(487,769)	(82.5)
Income tax expense	327,288	640,577	(313,289)	(48.9)
Net profit	<u>430,883</u>	<u>1,231,941</u>	<u>(801,058)</u>	<u>(65.0)</u>



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.1 Operating income

The Bank achieved an operating income of RMB15.467 billion, representing a year-on-year decrease of RMB0.8 billion or 4.9%, mainly due to the following factors: during the reporting period, certain borrowing enterprises were affected by economic environment and the pandemic, resulting in lower interest repayment capabilities for the current period; the downward adjustment to loan prime rate (LPR), the Bank strictly controlled credit risk, proactively adjusted the asset allocation and credit strategy, strengthened customer access and risk pricing management, optimised loan investment allocation, and improved asset safety, resulting in a decline in return on assets; and the Bank earnestly implemented relevant national policies and reduced fees and charges to benefit the real economy.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Net interest income	12,387,609	14,558,361	(2,170,752)	(14.9)
Net non-interest income	3,079,002	1,708,452	1,370,550	80.2
Operating income	15,466,611	16,266,813	(800,202)	(4.9)

5.2.1.2 Net interest income

In 2021, the Bank achieved a net interest income of RMB12.388 billion, representing a year-on-year decrease of RMB2.171 billion, or 14.9%, mainly due to the year-on-year decrease in interest income by RMB1.618 billion and year-on-year-decrease in interest expense of the Bank by RMB0.552 billion. The following table sets forth the interest income, interest expense and net interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Interest income	40,915,676	42,533,959	(1,618,283)	(3.8)
Interest expense	(28,528,067)	(27,975,598)	(552,469)	2.0
Net interest income	12,387,609	14,558,361	(2,170,752)	(14.9)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.3 Net Interest Spread and Net Interest Margin

In 2021, the net interest spread of the Bank was 1.39%, representing a year-on-year decrease of 0.16 percentage point; the net interest margin was 1.40%, representing a year-on-year decrease of 0.22 percentage point. The main reasons for the decline in net interest margin and net interest yield were (i) against the backdrop of continued promotion of growth stabilization policies and multiple reductions in LPR rates, the Bank actively implemented the national policy of fee reduction and interest concession, balanced risk-return and adjusted the customer structure and pricing strategy, and some borrowing companies were affected by the impact of the pandemic and the economic environment, resulting in tight operating cash flow and weakened ability to repay interest; the combined effect of the above factors resulted in a year-on-year decline in loan yields; (ii) the Bank continued to promote the growth of core liabilities such as corporate and retail deposits, and was affected by the deepening marketisation of interest rates and increased competition for deposits, resulting in increased stability of liabilities and a slight increase in interest payment costs.

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest-bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at the end of 31 December 2021			As at the end of 31 December 2020		
	Average balances	Interest income/expense	Average yield/cost (%)	Average balances	Interest income/expense	Average yield/cost (%)
Interest-earning assets						
Loans and advances to customers	561,819,774	30,958,123	5.51	497,806,068	29,269,709	5.88
Financial investments	222,504,221	8,336,823	3.75	308,296,765	11,955,537	3.88
Deposits with Central Bank	82,922,437	1,211,821	1.46	72,338,849	1,061,137	1.47
Deposits and placements with bank and other financial institutions	3,420,891	69,680	2.04	7,891,281	83,130	1.05
Financial assets held under resale agreements	16,184,312	339,229	2.10	10,984,832	164,446	1.50
Total interest-earning assets	886,851,635	40,915,676	4.61	897,317,795	42,533,959	4.74



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at the end of 31 December 2021			As at the end of 31 December 2020		
	Average balances	Interest income/expense	Average yield/cost (%)	Average balances	Interest income/expense	Average yield/cost (%)
Interest-bearing liabilities						
Borrowings from Central bank	5,506,721	128,758	2.34	5,564,261	180,385	3.24
Deposits from customers	720,648,207	23,049,452	3.20	606,900,012	18,880,431	3.11
Deposits and placements with bank and other financial institutions	59,071,190	2,176,860	3.69	99,689,737	3,666,432	3.68
Financial assets sold under repurchase agreements	67,099,838	1,823,474	2.72	92,562,329	2,407,376	2.60
Debt securities issued	33,396,262	1,349,523	4.04	71,307,489	2,840,974	3.98
Total Interest-bearing liabilities	885,722,218	28,528,067	3.22	876,023,828	27,975,598	3.19
Net interest income		12,387,609			14,558,361	
Net interest spread ⁽¹⁾			1.39			1.55
Net interest margin ⁽²⁾			1.40			1.62

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2021 compared with 2020		
	Increase/ (decrease) Volume ⁽¹⁾	Due to Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	3,764,006	(2,075,592)	1,688,414
Financial investments	(3,328,751)	(289,963)	(3,618,714)
Deposits with Central Bank	155,579	(4,895)	150,684
Deposits and placements with bank and other financial institutions	(46,939)	33,489	(13,450)
Financial assets held under resale agreements	77,992	96,791	174,783
Changes in net interest income	<u>621,887</u>	<u>(2,240,170)</u>	<u>(1,618,283)</u>
Interest-bearing liabilities			
Borrowings from Central Bank	(1,864)	(49,763)	(51,627)
Deposits from customers	3,537,569	631,452	4,169,021
Deposits and placements with bank and other financial institutions	(1,494,763)	5,191	(1,489,572)
Financial assets sold under repurchase agreements	(662,025)	78,123	(583,902)
Debt securities issued	(1,508,867)	17,416	(1,491,451)
Changes in interest income expense	<u>(129,950)</u>	<u>682,419</u>	<u>552,469</u>
Changes in net interest income	<u><u>751,837</u></u>	<u><u>(2,922,589)</u></u>	<u><u>(2,170,752)</u></u>

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Represents the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Represents interest income or expense for the period minus interest income or expense for the previous period.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.4 Interest income

In 2021, the Bank achieved an interest income of RMB40.916 billion, representing a year-on-year decrease of RMB1.618 billion or 3.8%, mainly due to factors such as the Bank's optimisation of allocation strategy, adjustment to asset structure and risk pricing level, as well as the overall downward movement of the financial market interest rate pivot.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021 Amount	of total (%)	2020 Amount	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	24,999,809	61.0	24,950,910	58.6
Personal loans	5,958,314	14.6	4,318,799	10.2
Sub-total	<u>30,958,123</u>	<u>75.6</u>	<u>29,269,709</u>	<u>68.8</u>
Financial investments	8,336,823	20.4	11,955,537	28.1
Deposits with Central Bank	1,211,821	3.0	1,061,137	2.5
Deposits with banks and other financial institutions	69,680	0.2	83,130	0.2
Financial assets held under resale agreements	<u>339,229</u>	<u>0.8</u>	<u>164,446</u>	<u>0.4</u>
Total	<u><u>40,915,676</u></u>	<u><u>100.0</u></u>	<u><u>42,533,959</u></u>	<u><u>100.0</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In 2021, interest income of the Bank from loans and advances to customers amounted to RMB30.958 billion, representing a year-on-year increase of RMB1.688 billion or 5.8%, and accounted for 75.6% of the total interest income, representing an increase of 6.8 percentage points, which was mainly due to the fact that during the reporting period, the Bank actively fulfilled its corporate social responsibility and increased its credit allocation around regional development strategies to meet the financing needs of the real economy, resulting in steady growth in loan size.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	471,180,670	24,999,809	5.31	433,419,866	24,950,910	5.76
Personal loans	90,639,104	5,958,314	6.57	64,386,202	4,318,799	6.71
Total	561,819,774	30,958,123	5.51	497,806,068	29,269,709	5.88

2. Interest Income from Financial Investments

In 2021, interest income of the Bank from financial investments amounted to RMB8.337 billion, representing a year-on-year decrease of RMB3.619 billion or 30.3%, which was mainly due to the Bank's continuous optimization of asset structure in accordance with the policy guidance, the reduction of the scale and investment of financial investments, as well as the decline in the average yield of financial investments due to the downward market interest rates.

3. Interest Income from Deposits with Central Bank

In 2021, interest income of the Bank from deposits with Central Bank amounted to RMB1.212 billion, representing a year-on-year increase of RMB151 million or 14.2%, which was mainly due to the increase in the average balance of central bank payments

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. *Interest Income from Deposits and placements with Banks and Other Financial Institutions*

In 2021, interest income of the Bank from deposits and placements with banks and other financial institutions amounted to RMB70 million, representing a year-on-year decrease of RMB0.013 billion or 16.2%, which was mainly due to the decrease in average balance of deposits and balance yield of deposits and placements with bank and other financial institutions.

5. *Interest Income from Financial Assets Held under Resale Agreements*

In 2021, interest income of the Bank from financial assets held under resale agreements amounted to RMB339 million, representing a year-on-year increase of RMB175 million or 106.3%, which was mainly due to the increase in the average balance of financial assets sold under repurchase agreements and average yields

5.2.1.5 *Interest expense*

In 2021, interest expense of the Bank amounted to RMB28.528 billion, representing a year-on-year increase of RMB0.552 billion or 2.0%. The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021		2020	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	128,758	0.5	180,385	0.6
Deposits from customers	23,049,452	80.8	18,880,431	67.5
Deposits and placements with bank and other financial institutions	2,176,860	7.6	3,666,432	13.1
Financial assets sold under repurchase agreements	1,823,474	6.4	2,407,376	8.6
Debt securities issued	1,349,523	4.7	2,840,974	10.2
Total	28,528,067	100.0	27,975,598	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Interest Expense on Deposits from customers

In 2021, interest expense on deposits from customers amounted to RMB23.049 billion, representing a year-on-year increase of RMB4.169 billion, or 22.1%, which was due to the Bank's adherence to the basic banking policy of "taking deposits as the key foundation of the Bank", strengthening its stable core liability capacity and consolidating the foundation for development, resulting in continuous growth in deposit scale. At the same time, the interest rate paid on deposits of the Bank increased slightly due to the marketisation of interest rates and fierce competition for deposits from high-quality customers in the region.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	140,824,091	1,694,730	1.20	144,185,394	1,478,774	1.03
Time	191,507,567	6,912,399	3.61	180,791,076	6,716,083	3.71
Sub-total	332,331,658	8,607,129	2.59	324,976,470	8,194,857	2.52
Personal deposits						
Demand	33,487,617	132,038	0.39	23,912,818	95,596	0.40
Time	354,828,932	14,310,285	4.03	258,010,724	10,589,978	4.10
Sub-total	388,316,549	14,442,323	3.72	281,923,542	10,685,574	3.79
Total deposits from customers	720,648,207	23,049,452	3.20	606,900,012	18,880,431	3.11



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. *Interest Expense on Deposits and Placements from Banks and Other Financial Institutions*

In 2021, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB2.177 billion, representing a year-on-year decrease of RMB1.49 billion or 40.6%, which was due to the Bank continuously optimised its debt structure, and resulted in a year-on-year decrease average balance of deposits and placements from banks and other financial institutions

3. *Interest Expense on Financial Assets Sold under Repurchase Agreements*

In 2021, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1.823 billion, representing a year-on-year decrease of RMB0.584 billion or 24.3%, which was due to the decrease in the average balance of the repurchased financial disposed.

4. *Interest Expense on Debt Securities Issued*

In 2021, interest expense of the Bank on debt securities issued amounted to RMB1.350 billion, representing a year-on-year decrease of RMB1.491 billion or 52.5%, which was due to the decrease in the average balance for the issuance of bonds.

5.2.1.6 *Net Non-interest Income*

1. *Net Fee and Commission Income*

In 2021, the Bank achieved a net fee and commission income of RMB0.429 billion, representing a year-on-year decrease of RMB0.259 billion or 37.7%, which is mainly due to the fact that the Bank actively responded to the call for fee reduction and concession policy by reducing and waiving the fee items and rates for small and medium-sized enterprises, as well as the decline in the scale of agency and custodian business, resulting in a year-on-year decrease in fee and commission income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	802,285	1,342,412	(540,127)	(40.2)
Settlement and clearing services fees	83,790	78,955	4,835	6.1
Bank card services fees	173,951	152,851	21,100	13.8
Fee and commission expense	(630,556)	(885,340)	254,784	(28.8)
Net fee and commission income	429,470	688,878	(259,408)	(37.7)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Net Trading Loss

In 2021, net trading loss of the Bank amounted to RMB708 million, representing a year-on-year decrease of RMB25 million, mainly due to the changes in derivative financial instruments and foreign exchange fluctuations.

3. Net Gains Arising from Investments

In 2021, the net gains arising from financial investments of the Bank amounted to RMB3.293 billion, representing a year-on-year increase of RMB1.701 billion or 106.8%, which is mainly due to the fact that during the reporting period, the Bank strengthened its policy and market trend research, followed the market trend, flexibly adjusted its trading strategy to grasp swing trading opportunities during the downward trend of yield, and a year-on-year increase in the Bank's bond spread income.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit and loss for the period	373,504	1,471,685	(1,098,181)	(74.6)
Net gains on disposal of financial assets at fair value through other comprehensive income	234,762	45,247	189,515	418.8
Dividends from financial assets designated at fair value through other comprehensive income	83,062	1,440	81,622	5,668.2
Net gains on disposal of financial assets at amortised cost	2,601,928	73,825	2,528,103	3,424.5
Total	3,293,256	1,592,197	1,701,059	106.8



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.7 Operating expenses

In 2021, the operating expenses of the Bank amounted to RMB5.855 billion, representing a year-on-year increase of RMB805 million or 15.9%, which is mainly due to the fact during the reporting period, the Bank actively implemented the strategic transformation of retail banking, added new business outlets and marketing personnel, accelerated the construction of financial technology and the transformation and upgrading of outlets, strengthened the collection and disposal of historical non-performing assets, and also due to the national policy to exempt basic pension, medical and other social insurance fees in 2020, the normal payment in 2021 is due.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Staff costs	3,078,026	2,832,340	245,686	8.7
Tax and surcharges	247,589	209,870	37,719	18.0
Depreciation and amortisation	598,913	612,756	(13,843)	(2.3)
Rental and property management expenses	129,994	113,692	16,302	14.3
Office expenses	458,559	356,101	102,458	28.8
Other general and administrative expenses	1,341,973	925,327	416,646	45.0
Total operating expenses	5,855,054	5,050,086	804,968	15.9

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Staff Costs

In 2021, staff costs of the Bank amounted to RMB3.078 billion, representing a year-on-year increase of RMB0.246 billion or 8.7%, mainly due to the year-on-year increase in the basic pension insurance and enterprise annuity and other social insurance expenses.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	2,258,812	2,327,877	(69,065)	(3.0)
Salaries, bonuses and allowances	243,605	36,937	206,668	559.5
Other social insurance	249,243	192,900	56,343	29.2
Housing allowances	152,814	127,978	24,836	19.4
Supplementary retirement benefits	4,423	6,339	(1,916)	(30.2)
Other staff benefits	169,129	140,309	28,820	20.5
Total staff costs	3,078,026	2,832,340	245,686	8.7

2. Office Expenses, Rental and Property Management Expenses

In 2021, the Bank's office expenses, rental and property management expenses were RMB589 million, representing a year-on-year increase of RMB119 million or 25.3%. The office expenses, rental and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices, security fees, conference fees, postal, telecom and printing fees.

3. Depreciation and Amortisation

In 2021, depreciation and amortisation expenses of the Bank amounted to RMB599 million, representing a year-on-year decrease of RMB14 million or 2.3%.

4. Other General and Administrative Expenses

In 2021, other general and administrative expenses of the Bank amounted to RMB1,342 million, representing a year-on-year increase of RMB417 million or 45.0%, mainly due to the Bank's returning to its roots, accelerating business model innovation, promoting the transformation and upgrade of traditional business and risk control technology, increasing the construction of scenario finance and investment in research and development, the continuous growth of deposit and loan business, and the increase in costs of related data service, business development and deposit insurance.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.1.8 Impairment losses on assets

During the reporting period, the Bank continued to adhere to prudent and prudent principles, strictly enforced asset risk classification and impairment provisioning standards, and continued to strengthen the provisioning basis and enhance the risk offsetting ability. In 2021, impairment losses on assets of the Bank amounted to RMB9.508 billion, representing a year-on-year decrease of RMB1.117 billion or 10.5%. The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	(492,893)	516,665	(1,009,558)	(195.4)
Financial assets held under resale agreements	(2,643)	(902)	(1,741)	193.0
Loans and advances to customers	6,948,475	8,328,608	(1,380,133)	(16.6)
Financial investments	1,252,838	2,029,066	(776,228)	(38.3)
Credit commitment	60,257	(239,829)	300,086	N/A
Others	1,741,928	(8,245)	1,750,173	N/A
Total	9,507,962	10,625,363	(1,117,401)	(10.5)

5.2.1.9 Income tax expense

In 2021, income tax expense of the Bank amounted to RMB-327 million, which is mainly caused by the tax implications of the deductible temporary difference, recognised deferred tax assets, and tax-free income of the Bank formed during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2 Analysis of the Statement of Financial Position

5.2.2.1 Assets

As at 31 December 2021, total assets of the Bank were respectively RMB1,006.126 billion and RMB1,037.958 billion. The principal components of our assets are (i) net loans and advances to customers, (ii) financial investments, (iii) cash and deposits with Central Bank and (iv) Deposits with interbank and other financial institutions which accounted for 57.9%, 31.0%, 7.2% and 0.9%, respectively, of total assets of the Bank as at 31 December 2021.

The following table sets forth the balances of principal components of total assets of the Bank as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total (%)	Amount	of total (%)
Assets				
Total loans and advances to customers				
Interest receivable	586,032,668	58.2	547,062,557	52.7
Interest receivable	22,082,972	2.2	7,960,458	0.8
Provision for impairment losses	(24,672,122)	(2.5)	(20,335,788)	(2.0)
Net loans and advances to customers				
Financial investments	583,443,518	57.9	534,687,227	51.5
Financial investments ⁽¹⁾	312,000,748	31.0	358,044,952	34.5
Deposits with banks and other financial institutions	8,842,567	0.9	15,194,344	1.5
Cash and deposits with Central Bank	72,330,736	7.2	78,505,916	7.6
Financial assets held under resale agreements	2,261,877	0.2	22,119,345	2.1
Placements with banks and other financial institutions	1,250,301	0.1	4,350,087	0.4
Derivative financial assets	574,444	0.1	1,104,872	0.1
Other assets ⁽²⁾	25,422,062	2.6	23,951,632	2.3
Total assets	1,006,126,253	100.0	1,037,958,375	100.0

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and other financial investments at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as at 31 December 2021 amounted to RMB586.033 billion with an increase of RMB38.970 billion or 7.1% as compared with that at the end of last year, and accounted for 58.2% of the total assets, representing an increase of 5.5 percentage points as compared to the end of last year, mainly due to that during the reporting period, the Bank fully grasped the national strategic direction, relied on its resource endowment and comparative advantages, fully explored high-quality customers, continuously optimized the credit structure, deepened regional cooperation in high-quality industries and trades, continued to promote the strategic transformation of the retail industry, actively boosted the financing needs of consumer upgrade, and further enhanced the quality and effectiveness of its services to the real economy. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
— Corporate loans	420,136,666	71.7	431,200,966	78.8
— Discounted bills	65,170,949	11.1	38,403,424	7.0
Personal loans				
— Residential mortgage	57,516,140	9.8	48,276,811	8.8
— Personal consumption loans	28,329,721	4.8	20,672,637	3.8
— Credit cards	7,335,915	1.3	6,572,422	1.2
— Personal business loans	7,542,819	1.3	1,920,977	0.4
— Others	458	0.0	15,320	0.0
Total loans and advances to customers	586,032,668	100.0	547,062,557	100.0

Corporate loans constituted the largest component of the Bank's loan portfolio. As at 31 December 2021, the corporate loans (including discounted bills) of the Bank amounted to RMB485.308 billion, representing an increase of RMB15.703 billion or 3.3% as compared to the end of last year and accounting for 82.8% of the total loans and advances to customers, representing a decrease of 3.0 percentage points as compared to the end of last year, mainly due to that during the reporting period, the Bank followed the pace of national industrial structure upgrade and economic restructuring, further improved the differentiated credit policy, optimised the layout of credit resources, focused on the ten major industries and strategic customer groups, suppressed the scale of financing for enterprises with "two high and one surplus" and "backward production capacity", continuously strengthened the quality of credit assets, improved the comprehensive income after risk adjustment, and promoted the high-quality development of corporate loans in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards and personal business loans. As at 31 December 2021, personal loans of the Bank amounted to RMB100.725 billion with an increase of RMB23.267 billion or 30.0% as compared with the end of last year, and accounted for 17.2% of total loans and advances to customers, representing an increase of 3.0 percentage points, mainly due to that during the reporting period, the Bank steadfastly implemented the big retail strategy, actively adjusted and optimised the business structure, continued to deepen the digital transformation of retail finance, accelerated the iterative update of product policies and process, improved and perfected the multi-dimensional risk monitoring system of products, regions and cooperation channels, maintained the pace of consumer loan development, promoted the orderly launch of housing loans, and achieved balanced and sustainable development of retail loan scale, structure and efficiency.

1) Loans by collateral

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As at 31 December 2021, the balance of loans mortgaged or secured by guarantees and was RMB527.110 billion, representing an increase of RMB27.027 billion or 5.4% as compared with that at the end of the previous year, and accounted for 89.9% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	222,873,962	37.9	215,899,526	39.4
Loans secured by pledges	101,680,848	17.4	80,836,779	14.8
Guaranteed loans	202,554,832	34.6	203,346,408	37.2
Unsecured loans	58,923,026	10.1	46,979,844	8.6
Total loans and advances to customers	586,032,668	100.0	547,062,557	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2) Changes in provision for impairment on loans and advances to customers

As at 31 December 2021, the balance of provision for impairment on loans and advances to customers was RMB24.672 billion, representing an increase of RMB4.336 billion or 21.3% as compared with that at the end of the previous year, mainly due to the Bank's full consideration of the impact of uncertainties such as the economic environment and the pandemic, and the strict implementation of a prudent and prudent impairment provisioning policy based on loan quality classification to further improve risk coverage and absorption capacity.

The following table sets forth the changes in the provision for impairment on loans and advances to customers for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2021				31 December 2020			
	Lifetime expected			Total	Lifetime expected			Total
	Expected credit loss over the next 12 months	credit loss- not credit impaired loans	Lifetime expected credit loss- credit impaired loans		Expected credit loss over the next 12 months	credit loss- not credit impaired loans	Lifetime expected credit loss- credit impaired loans	
Balance as at the beginning of the year	7,337,769	6,987,110	6,010,909	20,335,788	5,480,833	1,429,810	5,968,527	12,879,170
Transferred to:								
- to expected credit loss over the next 12 months	2,198,461	(1,383,837)	(814,624)	-	799,080	(224,525)	(574,555)	-
- to lifetime expected credit losses - not credit-impaired loans	(218,136)	405,529	(187,393)	-	(145,603)	147,993	(2,390)	-
- to lifetime expected credit losses - credit-impaired loans	(44,732)	(1,885,448)	1,930,180	-	(41,354)	(284,438)	325,792	-
Net (reversal)/provision for the year	(2,852,186)	3,294,543	6,272,198	6,714,555	1,244,813	5,918,270	956,425	8,119,508
Transfer out for the year	-	-	(2,236,251)	(2,236,251)	-	-	(293,502)	(293,502)
Unwinding of discount for the year	-	-	(146,435)	(146,435)	-	-	(427,236)	(427,236)
Recoveries for the year	-	-	4,465	4,465	-	-	57,848	57,848
Balance as at the end of the year	<u>6,421,176</u>	<u>7,417,897</u>	<u>10,833,049</u>	<u>24,672,122</u>	<u>7,337,769</u>	<u>6,987,110</u>	<u>6,010,909</u>	<u>20,335,788</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Financial Investments

As of 31 December 2021, the financial investments (including other financial assets at fair value through profit or loss, financial investment at fair value through other comprehensive income, financial investment at amortised cost) of the Bank amounted to RMB312.001 billion, representing a decrease of RMB46.044 billion or 12.9% as compared with those of the end of the previous year, and accounted for 31.0% of the total assets, representing an decrease of 3.5 percentage points as compared with that at the end of the previous year. The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Financial investment at fair value through profit or loss				
– Bonds issued by policy banks	93,378,132	30.4	100,939,472	28.6
– Bonds issued by other banks and financial institutions	–	–	588,420	0.2
– Corporate entity bonds	32,030,941	10.4	38,256,944	10.8
– Investment management products managed by securities companies	1,204,854	0.4	1,090,297	0.3
– Investment management products under the trust scheme	60,142,337	19.6	60,710,215	17.2
	–	–	293,596	0.1
Financial investment at fair value through other				
– Government bonds	33,690,804	11.0	27,401,326	7.7
– Bonds issued by policy banks	18,148,592	5.9	12,029,935	3.4
– Bonds issued by other banks and financial institutions	4,918,953	1.6	7,428,435	2.1
– Corporate entity bonds	517,889	0.2	1,849,715	0.5
– Commercial banks undated capital bonds	2,163,398	0.7	1,837,108	0.5
– Equity investments	1,020,044	0.3	–	–
	6,921,928	2.3	4,256,133	1.2



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Financial investment at amortised cost	180,501,036	58.6	225,501,568	63.7
– Government bonds	39,096,660	12.7	66,643,142	18.8
– Bonds issued by policy banks	55,696,204	18.1	77,422,643	21.9
– Bonds issued by other banks and financial institutions	300,000	0.1	200,000	0.1
– Corporate entity bonds	5,649,801	1.8	1,821,623	0.5
– Investment management products managed by securities companies	3,815,274	1.2	4,558,243	1.3
– Investment management products under the trust scheme	80,554,015	26.2	78,269,005	22.1
Less: provisions for financial assets impairment losses at amortised cost	(4,610,918)	(1.5)	(3,413,088)	(1.0)
Total	307,569,972	100.0	353,842,366	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1) Changes in the provision for financial assets at fair value through other comprehensive income

	As at 31 December 2021				As at 31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
(Expressed in thousands of Renminbi, unless otherwise stated)								
Balance at the beginning of the year	1,019	-	641,840	642,859	2,336	-	-	2,336
Net (reversal)/provision for the year	(130)	-	55,138	55,008	(1,317)	-	641,840	640,523
Balance as at the end of the year	889	-	696,978	697,867	1,019	-	641,840	642,859

2) Changes in the provision for financial assets at amortised cost

	As at 31 December 2021				As at 31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
(Expressed in thousands of Renminbi, unless otherwise stated)								
Balance at the beginning of the year	1,640,198	151,576	1,621,314	3,413,088	828,138	165,454	1,030,953	2,024,545
Transferred to:								
- to expected credit losses over the next 12 months	417,900	-	(417,900)	-	-	-	-	-
- to lifetime ECL								
- no credit impairment	(50,848)	50,848	-	-	-	-	-	-
- to lifetime expected credit losses - credit impaired Investments	(647,943)	-	647,943	-	(27,132)	-	27,132	-
Net (reversal)/provision for the year	(639,907)	901,202	936,535	1,197,830	839,192	(13,878)	563,229	1,388,543
Balance as at the end of the year	719,400	1,103,626	2,787,892	4,610,918	1,640,198	151,576	1,621,314	3,413,088



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2 Liabilities

As of 31 December 2020 and 2021, total liabilities of the Bank amounted to RMB925.623 billion and RMB957.912 billion respectively, as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under repurchase agreements, accounting for 81.6%, 9.6% and 6.5%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Borrowings from Central bank	1,631,922	0.2	2,815,363	0.3
Deposits from customers	754,880,674	81.6	697,363,902	72.8
Deposits and placements with bank and other financial institutions	59,942,166	6.5	90,792,706	9.5
Placements from banks and other financial institutions	581,595	0.1	4,984,505	0.5
Financial liabilities at fair value through profit or loss	6,504,990	0.7	20,959,959	2.2
Derivative financial liabilities	564,291	0.1	768,469	0.1
Financial assets sold under repurchase agreements	89,271,137	9.6	89,672,253	9.4
Debt securities issued	8,427,431	0.9	45,262,637	4.7
Other liabilities ⁽¹⁾	3,819,106	0.3	5,292,032	0.5
Total	925,623,312	100.0	957,911,826	100.0

Note:

- (1) Including amounts in settlement accounts, staff remuneration payable, deferred income, tax payable, amounts in dormant accounts and other liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1. Deposits from Customers

As of 31 December 2021, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB737.033 billion, with an increase of RMB55.628 billion or 8.2% as compared with the number recorded at the end of the previous year. The total deposits from customers (excluding interest payable) accounted for 79.6% of the total liabilities, representing an increase of 8.5 percentage points as compared with that at the end of the previous year. The individual deposits increased by RMB61.938 billion compared with that at the end of the previous year, mainly due to the fact that during the reporting period, the Bank continued to focus on customer experience, upgraded its business model, further strengthened its base customer base, continuously upgraded its product capabilities, continued to strengthen its omnibus-channel customer acquisition and omnibus-scene operation, and scientifically developed differentiated pricing and deposit attraction strategies to achieve quantitative and qualitative growth in retail deposits. The deposits from customers decreased RMB15.226 billion as compared with the number recorded at the end of the previous year, mainly due to the fact that during the reporting period, the Bank continued to refine and strengthen its public business, focused on the growth of the basic customer base and in-depth customer management, improved the customer classification and stratification marketing system, actively innovated corporate business products and service models, accelerated the optimisation and adjustment of the deposit structure, lowered the scale of inefficient deposits, and continuously consolidated the Company's deposits.

The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Corporate deposits				
Demand deposits	139,501,418	18.9	141,808,350	20.8
Time deposits	136,060,819	18.5	148,980,109	21.9
Sub-total	275,562,237	37.4	290,788,459	42.7
Personal deposits				
Demand deposits	52,119,182	7.1	24,304,387	3.6
Time deposits	367,723,470	49.9	333,600,481	48.9
Sub-total	419,842,652	57.0	357,904,868	52.5
Other deposits ⁽¹⁾	41,628,053	5.6	32,711,420	4.8
Total	737,032,942	100.0	681,404,747	100.0

Note:

(1) Mainly including pledged deposits.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021 Amount	As at 31 December 2020 Amount
Tier-two capital bond with fixed rate maturing in December 2027	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2021	–	2,000,000
Financial fixed rate bonds maturing in August 2021	–	12,000,000
Financial fixed rate bonds maturing in October 2021	–	8,000,000
Financial fixed rate bonds maturing in November 2021	–	6,900,000
Interbank certificates of deposits issued	2,417,309	10,022,558
Total	8,417,309	44,922,558

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB6.0 billion in the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

As at 31 December 2021, the balance of certificates of interbank deposit issued by the Bank was RMB2.417 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.2.3 Equity

As of 31 December 2021, the equity balance of the Bank amounted to RMB80.503 billion, representing an increase of RMB0.456 billion or 0.6% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Share capital	8,796,680	10.9	8,796,680	11.0
Capital reserve	26,931,360	33.4	26,931,360	33.6
Surplus reserve	7,319,347	9.1	7,283,589	9.1
General reserve	14,013,554	17.4	13,676,444	17.1
Investment revaluation reserve	(816,706)	(1.0)	(633,509)	(0.8)
Provision reserve	862,128	1.1	645,432	0.8
Reserve on remeasurement of defined benefit liability	(24,638)	(0.0)	(16,648)	(0.0)
Retained earnings	22,797,677	28.3	22,768,584	28.5
Non-controlling interests	623,539	0.8	594,617	0.7
Total equity	80,502,941	100.0	80,046,549	100.0



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3 Loan quality analysis

During the reporting period, the Bank made solid progress in credit risk management, focused on the construction of the intelligent risk control system, optimised the risk management process, improved the unified credit policy, strengthened the risk monitoring and early warning, standardised and enhanced the post-loan management, and improved the digitalisation, automation, process and professionalism of risk management in all aspects; at the same time, the Bank steadily adjusted the asset structure, comprehensively strengthened the increment. At the same time, the Bank steadily adjusted its asset structure, strengthened the prevention and control of incremental risks, stringently ensured classification standards of asset risks, and actively disposed of the stock of risks, while continuously increasing the provisioning efforts and steadily consolidating the provisioning base to further enhance the risk offsetting and loss absorption capacity. As of the end of 2021, the Bank's non-performing loan ratio was 3.28%, representing an increase of 0.02 percentage point from the end of the previous year; provision coverage ratio was 130.87%, representing an increase of 16.82 percentage points from the end of the previous year; and loan provisioning ratio was 4.29%, representing an increase of 0.57 percentage point from the end of the previous year.

5.2.3.1 Breakdown of loans by the five-category classification system

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated. The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 31 December 2021, the non-performing loans of the Bank amounted to RMB19.198 billion and the non-performing ratio was 3.28%, representing an increase of 0.02 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021		As at 31 December 2020	
	Amount	of total %	Amount	of total %
Normal	549,478,083	93.7	511,694,918	93.6
Special mention	17,356,401	3.0	17,537,699	3.2
Substandard	17,913,718	3.1	17,021,410	3.1
Doubtful	805,554	0.1	612,091	0.1
Loss	478,912	0.1	196,439	0.0
Total loans and advances to customers	586,032,668	100.0	547,062,557	100.0
Non-performing loan	19,198,184	3.28	17,829,940	3.26



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the Reporting Period, the Bank focused on serving the local economic development, with the specialisation of industry finance as the main line of operation and the “four capital” business model as the leading model, focusing on selected industries and advantageous industries to accurately assist the regional economic development. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021				As at 31 December 2020			
	Loan amount	Non-performing of total (%)	Non-performing Loan amount	Non-performing Loan ratio (%)	Loan amount	Non-performing of total (%)	Non-performing Loan amount	Non-performing Loan ratio (%)
Wholesale and retail	150,601,899	25.6	10,738,594	7.13	165,528,276	30.2	8,760,106	5.29
Renting and business activities	100,283,745	17.1	923,149	0.92	84,023,237	15.4	1,189,288	1.42
Real estate	69,734,707	11.9	1,380,576	1.98	70,050,003	12.8	1,422,318	2.03
Construction	28,848,272	4.9	470,159	1.63	29,663,065	5.4	1,002,830	3.38
Manufacturing	39,005,576	6.7	2,618,410	6.71	35,479,768	6.5	2,517,291	7.10
Culture, sports and entertainment	1,078,195	0.2	45,000	4.17	12,595,154	2.3	46,000	0.37
Transportation, storage and postal services	8,304,991	1.4	145,850	1.76	6,244,752	1.1	973,055	15.58
Production and supply of electric power, heat, gas and water	3,337,573	0.6	938,298	28.11	2,401,189	0.4	47,458	1.98
Accommodation and catering	2,945,073	0.5	143,988	4.89	2,555,827	0.5	383,823	15.02
Mining	2,139,442	0.4	54,290	2.54	1,975,967	0.4	77,290	3.91
Household and other services	360,300	0.1	–	–	2,132,870	0.4	2,620	0.12
Agriculture, forestry, animal husbandry and fishery	632,694	0.1	55,224	8.73	865,359	0.2	64,329	7.43
Others	12,864,199	2.2	89,241	0.69	17,685,499	3.2	539,352	3.05
Discounted bills	65,170,949	11.1	–	–	38,403,424	7.0	–	–
Personal loans and advances	100,725,053	17.2	1,595,405	1.58	77,458,167	14.2	804,180	1.04
Total	586,032,668	100.0	19,198,184	3.28	547,062,557	100.0	17,829,940	3.26

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

As of 31 December 2021, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities sectors (iii) real estate and (iv) construction represented the largest components of the Bank’s corporate loans. As at 31 December 2021 and 31 December 2020, the balance of loans provided to the corporate customers in the four industries mentioned above were RMB359.626 billion, RMB355.081 billion, accounting for 61.3% and 64.9%, respectively, with respect to the Bank’s total loans and advances to customers.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2021. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2021		
	Industry involved	Amount	of total (%)
Customer A	Renting and business activities	8,500,700	1.45
Customer B	Real estate	8,329,850	1.42
Customer C	Renting and business activities	7,601,000	1.30
Customer D	Wholesale and retail	7,100,000	1.21
Customer E	Real estate	6,139,900	1.05
Customer F	Renting and business activities	6,000,000	1.02
Customer G	Renting and business activities	5,543,730	0.95
Customer H	Manufacturing	5,541,900	0.95
Customer I	Real estate	5,272,000	0.90
Customer J	Real estate	5,130,000	0.88

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Distribution of Non-performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as of the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021			As at 31 December 2020		
	Loan amount	Non-performing loan amount	Non-performing Loan amount (%)	Loan amount	Non-performing loan amount	Non-performing Loan ratio (%)
Corporate loans	485,307,615	17,602,779	3.63	469,604,390	17,025,758	3.63
Short-term loans	109,207,805	12,812,678	11.73	182,093,054	12,660,451	6.95
Medium and long term loans	310,928,861	4,790,101	1.54	249,107,912	4,365,307	1.75
Discounted bills	65,170,949	-	-	38,403,424	-	-
Retail loans	100,725,053	1,595,405	1.58	77,458,167	804,182	1.04
Residential mortgage	57,516,140	548,244	0.95	48,276,811	271,016	0.56
Personal business loans	7,542,819	206,946	2.74	1,920,977	121,224	6.31
Personal consumption loans	28,329,721	293,929	1.04	20,672,637	139,179	0.67
Credit card overdrawn	7,335,915	545,828	7.44	6,572,422	272,763	4.15
Other	458	458	100.0	15,320	-	-
Total	586,032,668	19,198,184	3.28	547,062,557	17,829,940	3.26

As at 31 December 2021 and 31 December 2020, the non-performing loan ratio of the Bank, was 3.28% and 3.26%, respectively.

As at 31 December 2021 and 31 December 2020, the non-performing loan ratios of the Bank's corporate loans (including discounted bills) were both 3.63%.

As at 31 December 2021 and 31 December 2020, the non-performing loan ratio of the Bank's retail loans was 1.58% and 1.04%, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by the Former CBRC. As at 31 December 2021, the Bank's core Tier-one Capital adequacy ratio and Tier-one Capital adequacy ratio were both 10.54%, the capital adequacy ratio was 12.12%, capital adequacy ratios at all levels met the regulatory requirements.

The following table sets forth the relevant information of the Bank's capital adequacy ratio as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021	As at 31 December 2020
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,931,360	26,931,360
– Surplus reserve	7,319,347	7,283,589
– General reserve	14,013,554	13,676,444
– Investment revaluation reserve	(816,706)	(633,509)
– Provision reserve	862,128	645,432
– Retained earnings	22,797,677	22,768,584
– Qualifying portions of non-controlling interests	121,712	95,423
– Others	(24,638)	(16,648)
Core tier-one Capital	80,001,114	79,547,355
Core tier-one capital deductions	(303,297)	(254,841)
Net Core tier-one Capital	79,697,817	79,292,514
Net tier-one Capital	79,697,817	79,292,514
Tier-two Capital		
– Qualifying portions of tier-two capital instruments issued	6,000,000	6,000,000
– Surplus provision for loan impairment	5,929,637	2,325,846
Net tier-two Capital	11,929,637	8,325,846
Total net Capital	91,627,454	87,618,360
Total risk weighted assets	756,282,510	716,353,323
Core tier-one Capital adequacy ratio	10.54%	11.07%
Tier-one Capital adequacy ratio	10.54%	11.07%
Capital adequacy ratio	12.12%	12.23%



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5 Segment Information

5.2.5.1 Summary of regional branches

The Bank is mainly operating within China. Its head office and 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating revenue for the year ended 31 December				Non-current assets			
	2021		2020		31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	15,170,155	98.1	15,039,278	92.5	6,181,396	96.2	6,314,658	95.7
North China Region	174,535	1.1	651,384	4.0	215,781	3.4	246,040	3.7
Others	121,921	0.8	576,151	3.5	29,666	0.4	42,421	0.6
Total	15,466,611	100.0	16,266,813	100.0	6,426,843	100.0	6,603,119	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.2.5.2 Summary of business segments

Since this year, the Bank has focused on transformation and development, deepened reform and innovation, strengthened the synergy and connection of corporate segment, retail segment and capital segment, created a diversified value-added development model, and promoted the comprehensive and coordinated development of comprehensive operation and management capabilities. In 2021, the operating revenue of corporate banking amounted to RMB11.073 billion, accounting for 71.6% of the total operating revenue. The operating revenue of retail banking business amounted to RMB3.565 billion, accounting for 23.0% of the total operating revenue. The operating revenue of treasury business amounted to RMB0.691 billion, accounting for 4.5% of the total operating revenue.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December			
	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating revenue				
Corporate banking	11,072,643	71.6	12,008,413	73.8
Retail banking	3,564,682	23.0	1,715,022	10.5
Treasury business	691,099	4.5	2,391,192	14.7
Others	138,187	0.9	152,186	1.0
Total	15,466,611	100.0	16,266,813	100.0

5.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2021	As at 31 December 2020
Credit Commitments	128,417,787	112,713,060
Bank acceptances	13,446,399	15,383,277
Letters of credit	12,617,399	13,872,503
Unused credit card commitments	17,777,920	14,610,528
Total	172,259,505	156,579,368



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3 BUSINESS OVERVIEW

5.3.1 Corporate Banking Business

The Bank adhered to the main line of professional financial operation, the basis of laying foundation for long-term benefits, and took the active management of risk prevention and control and the cultivation of professional ability of teams, firmly implemented the "four focuses" business strategy and the business model centred around financing, resource integration, capital operation and asset management, and comprehensively promoted the growth of basic customer base and in-depth customer operation. The Bank strove to strengthen the operational awareness and capability of the corporate business team, accelerated the shaping of the corporate financial brand image, and firmly promoted the characteristic transformation of corporate business to constantly improve the level of serving the real economy, value contribution and market competitiveness.

5.3.1.1 Corporate Deposits

The Bank practically implemented the fundamental policy of "developing the Bank through deposits", actively attracted low-cost and stable core deposits, and increased the scale of deposits and expanded and strengthened the business of corporate liabilities through six aspects: customer expansion, product application, platform channels, institutional promotion, team construction and long-term mechanism. The Bank increased the upstream and downstream deposit extension marketing of strategic customers, key customers and other core customers, and promoted the internal circulation of the capital system. The Bank built an ecosystem around the customer base of government institutions. Relying on the advantages of local area, scale strength and institutional mechanism, the Bank actively obtained business agency qualifications for various institutions, and increased sources of public liabilities such as finance and social security through multiple channels. The Bank formulated products research and development plans, planned the overall marketing plans to realize the centralized investment of resources in key industries and core products, and to bind deposits with products cross selling. The Bank consolidated the infrastructure of corporate deposits by expanding the basic customer base and enhancing product application. The Bank increased the comprehensive marketing of trading products and focused on customer cash flow management services. The Bank strengthened the three-level-linkage marketing model of the head office and branches for major customers and key projects, effectively promoted the growth of deposits and improved the balance of various corporate deposits. As of 31 December 2021, the corporate deposits balance was RMB275.562 billion.

5.3.1.2 Corporate Loans

The Bank continued to improve the quality and efficiency of serving the real economy. The Bank, based on major national strategies and key projects, adhered to the positioning of "serving the local economy, small and medium-sized enterprises as well as urban and rural residents", integrated development with the local economy, grew together with small, medium and micro enterprises, returned to the origin of operation, and truly invested credit resources in the real economy and real enterprises. The Bank allocated credit resources to key areas and weak links of economic and social development. The Bank took equipment manufacturing, digital technology, people's livelihood and public utilities, modern agriculture, medicine and medical treatment, new retail, urban renewal, iron and steel metallurgy, energy and petrochemical and government finance as the top ten preferred industries, formulated industry business strategies and credit policies to highlight annual development priorities and to form a differentiated industry business layout. The Bank optimized the allocation of resources to improve continuously the utilization efficiency of credit assets, and to strengthen the duration management of credit assets. The Bank continued to revitalize the stock, and continuously increased the recovery of mature loans to accelerate the circulation speed of stock loans and to improve the Bank's asset liquidity. The Bank improved the liquidity management level and profit contribution of asset business while continuously expanding customer service to continuously enhance the use efficiency of credit funds, and continuously improved the differentiated and refined management level of customers. As of 31 December 2021, the balance of corporate loans (excluding bill discount) was RMB420.137 billion.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.1.3 Trading Bank

Under the accelerated construction the new development pattern of the big circulation in China as the main body with mutual promotion between two circulation of China and abroad, the Bank focused on industrial finance and value creation to improve constantly the product system of transaction banks. The Bank improved the ability to serve the real economy and realized the high-quality transformation and development of transaction banks through domestic and foreign currency and domestic and foreign integrated comprehensive financial solutions. As of 31 December 2021, the assets balance of on-balance and off-balance sheet of trading bank of the Bank was equivalent to RMB49.138 billion, maintaining at the same level as the end of the previous year. The settlement volume of trading bank business achieved US\$40.381 billion, a year-on-year increase of 22% and the revenue from intermediary business reached RMB213 million.

5.3.2 Retail Banking Business

During the Reporting Period, the Bank accelerated the realization the strategic vision of “building a sound bank”. The Bank took its customers as the core, deeply promoted integrated and digital operation covering all products, all channels and all scenarios, and focused on the “integrated and high-quality” development model, striving to build the retail banking business into the backbone of the Bank’s operation and development.

5.3.2.1 Personal Deposits

The Bank effectively responded to the challenge of the epidemic and achieved stable development throughout the year. First, the Bank further promoted integrated operation, and integrated and improved the functions of retail line departments to realize integrated product creation, business marketing, operation improvement and function coordination. Second, the Bank adhered to development led by innovation. It launched the functions of one-click purchase and customer referral for “Sheng e Tong(盛e通)” and launched “Sheng Cloud Tong(盛雲通)” for third-party depository business. It designed and issued “Yongjun Card (擁軍卡)”, upgraded digital payroll product of “Sheng Xin Tong(盛薪通)” and upgraded nearly 100 kinds of retail product systems covering 23 series. Third, the Bank carried out marketing activities throughout the year, strengthened process control, innovated work mode and enhanced customer contribution. Fourth, the Bank promoted the digital transformation of outlets to improve the service capacity of intelligent equipment of outlets and improve the quality and efficiency of consumer protection management. Fifth, the Bank improved the ability of the marketing team, sped up the progress of personnel in internal transfer and external recruitment, and increased significantly the per capita capacity of customer managers. As of 31 December 2021, personal deposits rose against the trend, and the market share continued to increase. The balance of personal deposits was equivalent to RMB419.843 billion, an increase of RMB61.938 billion, or 17.3%, over the end of the previous year. Among them, the market share of personal deposits in Shenyang has remained the first for many years.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.2.2 Personal Loans

The Bank continued to implement unswervingly the large retail strategy, adhered to innovation driven, and built characteristic product systems such as housing mortgage, living consumption and automobile consumption based on customer needs and experience. The Bank promoted the balanced and sustainable development of the scale, structure and income in retail loan. In terms of housing mortgage loans, the Bank practically implemented the national macro-control policy on real estate, adhered to the general requirements of "housing is for living not for speculation", and strictly implemented the "implementing policies according to the city" to support the reasonable demand of housing for personal use. In terms of consumer credit, the Bank, based on the local market, practiced the "the bank serving for citizen and city", selected customers prudentially, and strictly controlled the use of funds to fulfill the new regulations on internet loans, and to develop reasonably consumer credit business. As of 31 December 2021, the balance of personal loans was RMB100.725 billion, representing an increase of RMB23.267 billion or 30% over the end of the previous year.

5.3.2.3 Bank Cards

The Bank continued to optimize the service functions of bankcards, improved on customer experience, and promoted the construction of a service system, so as to continuously create high-quality, efficient and convenient financial services for individual customers. The Bank continued to expanded customer acquisition channels, and achieved mass customer acquisition. As of 31 December 2021, the Bank issued 18.6898 million debit cards in total, representing an increase of 1.9790 million compared to that at the beginning of the year, with a total consumption value of RMB23.485 billion.

5.3.2.4 Assets Management

During the Reporting Period, the Bank resolutely implemented the new regulations on asset management, new regulations on financial management and other regulatory requirements, strengthened its work on the transformation of asset management, and continued to improve the brand value of "good bank, good financial management". The Bank actively integrated into the business operation of the three major lines of corporate banking, retail and inter-bank, strove to promote innovation covering products, modes, and channels and system function upgrading with customer orientation, in order to meet effectively the differentiated needs of customers. The Bank optimized asset management strategies, deepened multi-asset and multi-strategy portfolio management, and constantly consolidated the basis of operation and management to resolved fully the risks of stock assets and 100% completed the net worth transformation of financial management. The Bank continuously improved its ability of value creation and high-quality development, and highlighted the role of helping the strategic transformation of large retail business. In the "2021 Golden Prestige Award" sponsored by PY Standard, the Bank won two awards including Excellent Investment Return Bank and Excellent Cash Management Wealth Management Product, laying a solid foundation for building a "financial subsidiary". As of 31 December 2021, an accumulation of 248 tranches of wealth management products with a total amount of RMB129.165 billion was issued by the Bank, with an existing balance of RMB43.588 billion. All of them are net worth products, with a net worth ratio of 100% and the income from wealth management of RMB392 million.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.3 Capital and investment banking business

5.3.3.1 Capital business

In capital business, the Bank adhered to the functional orientation of "serving for liquidity management, revenue growth and comprehensive operation of customers" to strengthen the foundation of interbank customers, expand interbank cooperation channels, optimize the operation of financial assets, and enrich the design of financial products, thus steadily improving the ability of comprehensive operation and service.

The Bank focused on the construction of basic customer base. The Bank implemented layered and classified marketing strategies for interbank customers, and actively expanded comprehensive business credit, and built diversified interbank cooperation relations with state-owned banks in many fields such as trade finance business, digital RMB, bill business and asset management business. At the same time, the Bank built a cooperation platform for small and medium-sized banks, and established a regional strategic alliance of small and medium-sized banking institutions in the three northeastern provinces to promote extensive cooperation among financial institutions in Northeast China, and gradually expand to northwest, southwest and North China, further increasing the number of cooperative institutions. For corporate and retail customers, the Bank, by enriching customer financial products, improved the quality and efficiency of basic customer service, and helped expand and maintain basic customers.

The Bank strengthened the analysis and judgment of the bond market, accurately grasped the market situation during the year to carry out flexibly band trading business, significantly improving the income level of bond premium. The Bank actively participated in the innovative business of the foreign exchange trading center, won the X-REPO innovation and activity award for 9 times, and won the "annual market influence award" and "market innovation award" of the foreign exchange trading center throughout the year, and the market activity has been continuously improved.

5.3.3.2 Investment banking business

The Bank adhered to the direction of "returning to the mainstream and light developing with double light", actively reduced the scale of non-standardized creditor's rights business,, continued to promote underwriting, syndicated loans, M&A loan, investment and financing consulting and other businesses, and steadily promoted the high-quality and sustainable development of investment banking business. During the Reporting Period, the Bank successfully implemented the first green syndicated loan business, which improved its regional and brand influence; successfully realized the independent underwriting and issuance of the first debt financing plan, providing valuable experience for the transformation of the Bank's investment banking business to asset light and market-oriented.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4 Specialized institutions and subsidiaries

5.3.4.1 *Financial service center for Small Businesses*

The financial service center for small businesses of the Bank practically implemented the various preferential policies of the state and regulatory authorities. Focusing on the strategic vision of "building a sound bank", and based on the positioning of "serving citizen and city", the Bank actively practiced the concept of inclusive finance, earnestly fulfilled social responsibilities, and built a compassionate, warm and down-to-earth path of inclusive finance for the majority of small and micro enterprises.

By building a multi-level and wide coverage inclusive financial service system, the financial service center for small businesses of the Bank improved the supporting mechanism of inclusive financial services and continuously optimized the experience of small and micro enterprises. First, credit resources were inclined, and inclusive investment created a new high. In 2021, the Bank strengthened the provision of inclusive credit, with an increase of 58% in the business, reaching a record high. The Bank continued to expand the inclusive audience, solving the financing problems for 170,000 small and micro enterprises and individual industrial and commercial households. Second, the Bank continued to reduce fees and interests, benefiting more enterprises and people. The Bank offered free services such as account opening, account management, corporate online banking for customers of inclusive small and micro enterprises, taking the initiative to benefit the small and micro enterprises. Third, the Bank set up inclusive counters and upgraded financial services. The Bank set up "inclusive financial counters" in 126 core outlets of the Bank to provide "one-stop" services integrating the whole process of account opening, settlement, credit and consultation to give customers a upgrading experience featuring time-saving, labor-saving and worry-saving. Fourth, the Bank designed targeted service plans and innovated personalized products. The Bank, adhering to the customer-centered and the personalized and differentiated needs as the traction of small and micro customers, formed a featured service plan with the characteristics of cluster customers, striving to improve the coverage of products. Fifth, focusing on support areas and serving more high-quality customers, the Bank implemented mass financial services for the "Lao, Yuan and Xin (老原新)" enterprises, "Specialized, Sophisticated, Special and New" enterprises, high-quality tax paying enterprises, manufacturing industry and science and technology industry to stimulate the vitality of the real economy.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.4.2 *Credit card center*

During the Reporting Period, the credit card center of the Bank implemented the business model of "customer-centered, all product, all channels, all scenarios, integration and digitalization" of retail banks. It focused on management on one hand and operation on the other hand, strengthened risk control, and resolved historical burdens to standardize internal management and deepen compliance operation. First, the Bank strictly controlled the increment and dissolved the stock to improve the level of risk control. The Bank optimized the approval strategy and risk structure, strengthened the introduction of data such as the People's Bank of China, and improved the standardization, stability and rationality of credit approval. The Bank launched the digital decision-making system in the loan, screened and disposed high-risk accounts, and increased the amount of high-quality customers. The Bank established telephone collection, territorial collection, outsourcing collection, judicial litigation and public security collection system to improve the efficiency of collection team. Second, the Bank focused on the return of value to the origin and strengthen the comprehensive operation of business. The Bank strengthened the efforts of customer acquisition, and closed high-risk card issuing channels and industries. The Bank linked customer group of marketing and lending, retained card customers, and explored the whole process marketing of telephone channels. The Bank focused on small and beautiful product system, created fist products and released cloud flash payment unbounded cards. The Bank established a market brand of "being spree together (9要一起嗨)", expanded preferential merchants and revitalized existing customers. The Bank optimized the asset structure to expand the scale of installment loans, improved the whole life cycle management of online retail customers of remote banking, covering the links of "obtaining customers – approval – promotion – promotion activities – service – maintenance – win back – clearing", carried out long tail customer marketing and improved the intelligent level. The customer service ability is at the forefront of the industry.

As of 31 December 2021, there were in aggregate 1,844,100 credit cards issued by the Bank, representing an increase of 259,000 cards or 16.3% from the number at the beginning of the year; the aggregated annual transaction amount reached RMB39.992 billion, representing an increase of 18.9% as compared to that in 2020; the balance of existing credit card loans amounted to RMB7.336 billion, representing an increase of RMB764 billion or 11.6% from that at the beginning of the year. Moreover, the non-performing rate of new card issuance in this year was 0.18%, down 0.77 percentage point as compared to that in 2020.

5.3.4.3 *Shengjing Bank Consumer Finance Co., Ltd.*

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer finance company in North East China established by the Bank as principal sponsor and was approved to start business in February 2016. During the Reporting Period, the Company strengthened inclusive finance, advocated rational consumption, took multiple measures to develop characteristic products such as "Sheng Xiang Loan (盛享貸)" and "Nuan Xin Loan (暖心貸)", and reduced the interest and fee of products, better meeting the diversified and multi-level financial needs of customers in Liaoning and Shenyang. The Bank created a new risk control path of "technology + big data" and promoted the high-quality development of various businesses. The Bank actively carried out the public welfare activities of "Hope Primary School" to help the construction of rural education and practice social responsibility.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As of 31 December 2021, Shengjing Bank Consumer Finance Co., Ltd.'s total assets amounted to RMB4.804 billion, outstanding loan balance amounted to RMB3.917 billion, and customers served in aggregate amounted to 4.7903 million. During the Reporting Period, Shengjing Bank Consumer Finance Co., Ltd.'s operating income amounted to RMB710 million, realising a profit before provision amounting to RMB150 million, and non-performing loan ratio being 0.74%.

5.3.4.4 Village and town banks

The Bank as the principal sponsor jointly establishes six village banks, four of which are located in Shenyang City in Liaoning Province, being Shenyang Shenbei Fumin Rural Bank, Shenyang Xinmin Fumin Rural Bank, Shenyang Faku Fumin Rural Bank, Shenyang Liaozhong Fumin Rural Bank; the other two being Ningbo Jiangbei Fumin Rural Bank in Ningbo, Zhejiang Province and Shanghai Baoshan Fumin Rural Bank in Shanghai. All six village banks are independent legal entities.

During the Reporting Period, the Bank actively fulfilled the responsibilities and obligations of the main issuing bank and consolidated the management mode of local branches under the leadership of the risk line of the head office. Shenyang Branch supported four village banks in Shenyang, and Shanghai Branch supported two village banks in Shanghai and Ningbo. Through the efficient cooperation of the head office and branches, with the guidance and help from branches, village banks adhered to the market positioning of supporting agriculture and small enterprises to return to their origin, focus on the main business, and deeply cultivate the local and sink to the low-tier market. With effectively improving the level of corporate governance, the Bank, strictly enforced the internal risk control management, and constantly strengthened the system construction, team construction and cultural construction of village banks to effectively improve the asset quality and profitability of village banks, and ensure the healthy and sustainable operation of village banks.

5.3.5 Distribution Channels

5.3.5.1 Physical Outlets

The Bank continued to accelerate the outlet transformation, with the goal of improving the productivity contribution of outlets to promote the sustainable development of outlets and upgrading of outlets, and strengthened the layout of outlets in areas with weak financial services; as a result, the coverage of outlet services continued to expand, and regional influence continued to be enhanced. As at 31 December 2021, the Bank has established 212 institutional outlets, including 1 business department of head office, 3 branch-level specialised institutions, 18 branches, 185 traditional sub-branches, and 5 small sub-branches.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.5.2 Self-service Banking

The Bank increased investment in intelligent self-service equipment, continued upgraded the equipment functions and improved the service level of outlets. This year, 130 smart terminals such as flat-panel mobile card issuing devices and smart counters were added, with multiple new self-service functions such as receipt printing and social security payment, realizing more accurate and considerate differentiated customer service. As of 31 December 2021, the Bank had 1,852 self-service terminals, including self-service deposit and withdrawal machines, inquiry and payment machines, mobile card opening machines, VTM teller machines, smart counters, high-speed deposit and withdrawal all-in-one machines, interactive desktops and other advanced self-service terminal equipment.

5.3.5.3 Electronic Banking

1. Online banking

The Bank continued to promote the optimization of personal online banking services and provide efficient, safe and convenient personal online services. As of 31 December 2021, there were 669,500 personal online banking customers, 735,900 transactions in 2021, with an accumulated transaction value of RMB661.328 billion.

For better meeting the needs of customers, the Bank sped up the construction of corporate business online channels, and rapidly upgraded enterprise online banking. In 2021, enterprise online banking added products such as time deposit, call deposit and transfer of certificate of deposit, optimized 104 functions such as electronic receipt and electronic bill. Those measures enriched the Bank's online products and functions, stimulated the substantial growth of transaction volume and improved the Bank's online operation service capability and customer service experience. As of 31 December 2021, there were 52,300 corporate online banking customers in total, representing an increase of 25.1% from that at the end of the previous year. There were 5,528,600 transactions, representing an increase of 165.4% from that of the same period of the previous year, with an accumulated transaction value of RMB2,111.767 billion.

2. Mobile Banking

Focusing on customer-centric, the Bank continued to promote the improvement of mobile banking services, established an experience team covering in-house experts and non-bank customers, and widely investigated customers' needs to improve effectively the application experience of mobile banking and continuously improved customers' activity. The Bank continued to deepen customer service capabilities, and provided differentiated and exclusive services for retail customers such as wealth management, payroll and veterans to build a convenient, intelligent, safe and friendly personal mobile financial platform. As of 31 December 2021, there were 3.4681 million mobile banking customers in total. There were 32,613,200 transactions in total, representing an increase of 155% from that of the same period of the previous year, with an accumulated transaction value of RMB1,183.279 billion, representing an increase of 238% from that of the same period of the previous year.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.3.6 Information Technology and R&D

During the Reporting Period, the Bank closely integrated the scientific and technological development ideas, strategic layout and resource allocation strategy with the Bank's development strategy, strengthened overall planning and top-level design to improve the service capacity of information system. The Bank carried out regulatory and refined management and business innovation to improve continuously the basic environment construction and information system functions. In the whole year, the Bank completed 1,450 operations launch of various businesses needs, an increase of 68% year-on-year, actively promoting wide digital strategic transformation.

Firstly, the Bank completed the formulation of guidelines for the three-year strategic plan and six-year strategic plan of information technology to clarify the ideas, strategic layout and work tasks of scientific and technological development in the coming period. Secondly, the Bank completed the relocation of local data center and the scheme design of e-banking system for disaster recovery, organized the whole bank to carry out information system emergency drill, as a result, the local disaster recovery center actually handled the business for more than 120 minutes and the business continuity ability of information system continued to improve. Thirdly, the Bank independently researched and developed the functional modules of the operation and maintenance platform to realize the installation, configuration and upgrading of software by just one click, the batch delivery of virtual machines, the standardization of important configuration parameters, and the pipeline automation of code deployment and testing, improving the operation and maintenance efficiency by 18.4%. Fourthly, the transformation of application system architecture was completed basically, providing platform-level capability output for the Bank to build a full scene IT ecosystem and establish a financial technology innovation system. Fifthly, the Bank carried out the construction of digital currency system and integrated payment system to connect with more than 20 application scenarios of the government's "digital city", completed the upgrading of mobile banking system to build an intelligent outbound call system, and strove to promote the transformation of financial services to "online, intelligent and ecological". Sixthly, the Bank completed the construction of public business management platform and unified credit system to promote the digital transformation of business operation management. Seventhly, the Bank completed the information innovation and transformation of three systems, including office automation system and central accounting system, further improving the independent control ability of information system.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4 RISK MANAGEMENT

In 2021, with the strategic vision of "being a sound bank", the Bank adhered to prudent and prudent risk management strategy, continued to improve the comprehensive, full-staff and whole-process risk management system compatible with the Bank's development strategy, formulated the Action Plan of Shengjing Bank on Strengthening Comprehensive Risk Management and Internal Control Compliance (2021–2023) to define the comprehensive risk management plan for the future and guide the orderly development of risk management throughout the Bank. Firstly, the Bank continuously improved the system of risk management policy to further unify the division of responsibilities, basic principles, bottom line and requirements of risk management, and strengthen the institutional guarantee of risk management. Secondly, the Bank promoted the construction of risk management information system in an orderly manner, and improved gradually the level of electronization of credit process, integration of business processing and refinement of risk management. Thirdly, the Bank continuously improved the ability of risk management. The credit risk management in the whole process has been strengthened continuously; the ability of liquidity risk resistance has been significantly enhanced. The operation and compliance risk management ability has been improved continuously, the reputation risk control ability has been significantly improved, the money laundering risk management has been orderly standardized, and the information technology risk management system has been continuously improved.

5.4.1 Credit Risk Management

Credit risk occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The credit risk exposure of the Bank mainly exists in the credit business and treasury business.

During the Reporting Period, the Bank adhered to the management philosophy of "compliance as a key foundation of the Bank", adhered to the principle of grasping substantial risks and preventing ultimate risk, and focused on high-quality industries and mainstream customers. The Bank steadily promoted the transformation of existing businesses, continued to optimise the asset structure of the whole Bank, and maintained stable operations of asset business. Firstly, the credit management mechanism has been continuously improved. Guided by regulatory policies, based on the principles of legal compliance, objectivity, accuracy and professional independence, aiming at improving the quality and efficiency of credit approval, as well as meeting the needs of the Bank's strategic development, the Bank issued a-whole-process credit review and approval management system to ensure that key links and key areas have systems to rely on and the quality and efficiency of credit management continue to improve. Secondly, the Bank strictly implemented the unified credit management and controlled the total amount of customer risk. In accordance with the principle of putting substance over form, the Bank identified the customer related relationship, and implemented "penetrating" management on the credit of group enterprises to establish a unified credit management system for the whole process and business varieties. Thirdly, in order to meet regulatory requirements and business development needs, the Bank promoted the online implementation of process system of credit business to realize electronic and refined management covering all customers, products and processes, and continuously improve the level of credit risk management. Fourthly, the Bank practically implemented the "three checks" of loans. The Bank carried out hierarchical management of customers according to the top ten preferred industries, formulated characteristic crediting plans for strategic customers, key customers and basic customers according to the industry attributes. The Bank selected core subjects to establish business cooperation to ensure that the subjects are qualified, the trade background is true, the capital demand is matched, and the business development is carried out in compliance, strictly controlling the entrance check. At the same time, for existing customers, and combined with the change trend of customer risk, the Bank took the initiative to reduce or eliminate risks to ensure the safety of credit assets to the greatest extent.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.2 Operational Risk Management

Operational risk refers to the risk of loss caused by inadequate or problematic internal procedures, personnel and information technology systems as well as external events.

During the Reporting Period, based on the strengthening of internal control and the implementation of compliance management, and supported by the optimization of operational risk management system and operational risk management tools, the Bank continuously improved its ability of operational risk control and controlled operational risk at an appropriate level. Firstly, the Bank strengthened the-whole-process control of business operation. With process combing as the link, the Bank clarified the nodes of business management process, clarified the relevance of the upper and lower links of the operation process, and optimized the authorization management system and embedded into process management, to realize the institutionalization, process establishment and informatization of management. Secondly, the Bank strengthened risk awareness and personnel management. The Bank carried out special training and warning education on business knowledge, practical operation, operational risk and case prevention, enhanced employees' awareness of compliance with regulations and rules, strengthened the monitoring of employees' misconduct, and severely punished violations. Thirdly, the Bank continued to carry out operational risk assessment and monitoring. The Bank made full use of operational risk management tools, combined with the distribution of operational risk events and risk-monitoring results, defined the weak links and risk sources of operational risk, and checked the effectiveness of control measures. The Bank re-formulated management strategies to prevent operational risks caused by improper operation, moral anomie and out of control behavior.

5.4.3 Market Risk Management

Market risks refer to the risk of assets losses due to adverse changes in market price, including interest rate, exchange rate, stock price and commodity price. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk.

The market risk management of the Bank aimed to control market risks within an affordable range within the framework of comprehensive risk management to maximize the comprehensive benefits of the Bank by undertaking certain market risks. The Bank assessed market risk through PVBP, value at risk (VaR) and other methods of market risk measurement, controlled the scale of market risk through transaction limit and risk limit, and controlled the amount of possible loss through stop-loss limit. During the Reporting Period, the Bank carried out evaluation and monitoring of market risk within the framework of comprehensive risk management: firstly, the Bank monitored the implementation of market risk limit of trading accounts on a daily basis and carried out market revaluation through the management tools of risk measurement such as PVBP and value at risk (VaR), to ensure the market risk is stable and controllable. Secondly, according to regulatory requirements and business development needs, the Bank optimized authorization and system, and improved authorization and quota management. Thirdly, the Bank conducted regular stress tests to assess the damage caused to the Bank by extremely adverse scenarios, conduct post-event tests against stress tests, and evaluate and improve the measurement models based on the test results to improve the effectiveness of market risk monitoring.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.4 Bank Account Book Interest Rate Risk

Bank account book interest rate risk refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of bank account books, including gap risk, benchmark risk and optional risk. Among which, gap risk is the main interest rate risk faced by the Bank. The Bank mainly adopted various methods such as gap analysis, scenario simulation and stress testing to measure, monitor and analyze interest rate risk in bank accounts.

During the Reporting Period, the world economy recovered slowly, and the international economic situation remained perplexing due to repeated effects by COVID-19. In China, active fiscal policy and prudent monetary policy were adopted in combination, and the market liquidity was reasonable and abundant. In terms of interest rate control, China has deepened the promotion of fee reduction and profit sharing, continuously increased support for private enterprises, inclusive small and micro enterprises, manufacturing industry, "double carbon and double reduction" and livelihood projects, thus maintaining balanced growth of GDP, and further shortening the economic growth gap between China and the United States. With the implementation of policies such as the reform of deposit interest rate pricing mechanism and the reduction of LPR quotation, the market-oriented reform of interest rate has been further deepened. In order to prudently assess the negative impact of interest rate changes on the Bank's current profit and loss and economic value, through adjustment of asset liability structure and reasonably control the gap of interest rate sensitivity, the Bank strictly implemented the limit management mechanism of bank account book interest rate risk, continued to strengthen the monitoring and analysis of interest rate risk of bank account book, and controlled the pressure results of interest rate risk of bank account book within an acceptable range. In 2021, on one hand, the Bank further improved the interest rate risk system of bank account book, revised the Management Measures for Interest Rate Risk of Bank Account Book of Shengjing Bank, increased early warning and monitoring indicators, and optimized the over quota disposal mechanism and reporting mechanism to improve the standardization and effectiveness of interest rate risk management of bank account book. In combination with the Bank's business development orientation, the Bank focused on the repricing cycle and gap changes in deposit interest rate pricing reform and LPR quotation adjustment, and adjusted the repricing strategy of asset liability business according to the target gap. The Bank optimized the repricing term structure, and continued to implement proactive and forward-looking management of interest rate risk in bank accounts.

5.4.5 Liquidity Risk Management

Liquidity risk refers to the risk of failure to timely obtain adequate funds at a reasonable cost to repay debts when due, perform other payment obligations, or satisfy other capital needs in the ordinary course of business.

During the Reporting Period, according to the prudent and stable liquidity risk appetite, the Bank took liquidity management as the top priority of its business work, continuously improved the liquidity risk management system and mechanism, effectively improved the refinement level of liquidity risk management, and the liquidity situation continued to improve. Firstly, the Bank focused on the balanced management of liquidity supply and demand deepened the cooperation between banks and governments, banks and enterprises and peers to broaden actively the channels of capital sources. The Bank strictly arranged the use of funds based on capital sources, paid attention to improving the reserve of liquid assets and consolidated the foundation of liquidity. Secondly, the Bank comprehensively improved the liquidity management mechanism, rechecked various liquidity management systems and processes, and reconstructed the liquidity risk limit indicators system. Thirdly, the Bank further strengthened stress testing and emergency drills, improved the emergency fund replenishment mechanism to ensure the Bank-wide liquidity safety under normal and stressful conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.6 Information Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, reputation or legal compliance in the process of applying information technology due to factors such as natural factors, human factors, technological limitations and management inadequacy.

During the Reporting Period, on the basis of daily risk management and special inspection, the Bank combined the information construction objectives with the Bank's business development needs, further clarified the scientific and technological development ideas, strategic layout and resource allocation, continued to improve the information technology risk management system, effectively carried out various risk control work, and ensured the safe and stable operation of the whole information technology management system. Firstly, the Bank formulated and completed the Action Plan for Comprehensive Information Technology Risk Management and Internal Control Compliance of Shengjing Bank; put forward targeted and planned measures and objectives for information technology risk and internal control compliance in the next three years, pointing out the direction for information technology risk management in the next three years. Secondly, the Bank completed the construction of information technology system. Thirdly, the Bank set up a professional working group under the Information Technology Department to coordinate the professional line work of the Information Technology Department, compacted management responsibilities at all levels and avoided management blind spots. Fourthly, the Bank prepared application system list and system map to clarify application architecture and positioning, and realize function segmentation. Fifthly, the Bank established a demand control mechanism to realize the full closed-loop management mode of centralized acceptance, analysis, workload evaluation, development, testing and production of business needs. Sixthly, the Bank carried out system vulnerability repair; shut down phishing websites; intercepted customer fraud messages. The Bank carried out security risk inspections, including network security self-inspection, special investigation of outsourcing risks, development, operation and maintenance risk inspection. Seventhly, the Bank strengthened the security control of development projects. It signed security confidentiality agreements with outsourcing resident personnel and carried out background investigation to control strictly the operation behavior of outsourcing personnel. It put forward security requirements and design specifications for the system requirements design stage to improve the overall security of the system. Eighthly, the Bank completed the of information systems and network system emergency drills as planned. The time for important information systems to take over business in the local disaster recovery environment was more than 120 minutes, which fully verified that the design of disaster recovery system was reasonable and reliable. Ninthly, the Bank formulated the "Measures on Information Technology Outsourcing Management Shengjing Bank" and "Implementation Rules for Assessment and Evaluation Management of Information Technology Outsourcers of Shengjing Bank" and other system documents, clarifying the scope of responsibilities of the outsourcing management personnel, outsourcing risk management process, outsourcing service scope, etc., and standardizing the outsourcing business behavior and risk.

5.4.7 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank from the stakeholders due to the acts relating to the Bank's operation, management and other aspects or other external incidents.

The Bank incorporated reputation risk management into the comprehensive risk management system. During the Reporting Period, the Bank continued to strengthen reputation risk management and actively, proactively and effectively prevented and controlled reputation risk. Firstly, the Bank strengthened organizational leadership. The Bank established a leading group of reputation risk and a special class for



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

public opinion control and held regular meetings, monitor, analyse and judge the situation in real time to effectively realizing the identification, monitoring, control and disposal of reputation risk. Secondly, the Bank improved the system, plan and process. It formulated the Measures on Reputation Risk Management of Shengjing Bank, Emergency Response Plan of Reputation Risk and other systems and measures, clarifying the division of responsibilities, workflow, assessment and evaluation. The Bank established and improved the rapid response and disposal mechanism of internal public opinion, and ensured the timely and effective implementation of daily management and emergency disposal measures such as public opinion prevention and control and reporting. Thirdly, the Bank established a joint defense and linkage mechanism with network information security offices at all levels, network security units and national mainstream media to ensure the prevention, control and effective disposal of major sudden reputation risk events. Fourthly, the Bank cultivated a reputation risk management culture. The Bank regularly carried out training on public opinion environment and media management to improve employees' awareness of reputation risk prevention and control and response ability. Fifthly, the Bank vigorously carried out brand image management and integrated media resources, forming a multi-dimensional publicity matrix, to adopt flexible and diverse publicity strategies, innovate publicity forms, and comprehensively improve brand image and market influence.

5.4.8 Compliance Risk Management

Compliance risk refers to the risk of suffering from legal sanction, regulatory punishment, significant financial loss or reputation loss due to failure to comply with relevant laws, rules and codes of conduct.

The Bank advocated the principle of "compliance as a key foundation of the Bank", deepened the philosophy of "compliance as a key foundation of the Bank", strove to promote the construction of internal control and compliance, adhered to high standards, abided by laws, regulations, regulatory requirements and the Bank's regulations, and carried out various business management activities with prudent operation as the starting point, so as to implement the compliance management policy of "regulated behavior, strong inspection, effective mechanism, and proper monitoring". During the Reporting Period, facing the continuing trend of "strong and strict supervision", the Bank proactively adapted to the new regulatory requirements, correctly grasped the compliance direction, so as to ensure that the regulatory requirements were properly communicated, and further improve the long-term compliance management mechanism. Firstly, the Bank improved the compliance risk management system. The Bank strengthened internal control measures, strictly implemented the compliance risk management policy of the Bank, adhered to compliance operation and bottom line thinking, and implemented construction of whole process compliance mechanism, so as to achieve effective identification and management of compliance risks. Secondly, the Bank consolidated the foundation for compliance. The Bank improved the institutional framework, continued to implement effectively "internalization of external regulations", clarified the red line of compliance, and improved the refined authorization system to provide guarantee for the steady development of compliance. Thirdly, the Bank deepened the construction of compliance culture. The Bank was rooted in the compliance concept and created gradually a "prudent, steady, comprehensive and proactive" risk internal control culture of Shengjing Bank by carrying out various forms of compliance training, warning education and compliance publicity. Fourthly, the Bank promoted and consolidated the work of eliminating chaos. According to the regulatory requirements, the Bank carried out in-depth self-inspection and self-correction, highlighted the problem orientation, deeply excavated the internal control and compliance defects behind the business, and combined the rectification of chaos with daily operation to continue to promote the construction of compliance.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

5.4.9 Money Laundering Risk

The Bank strictly complied with national anti-money laundering laws and regulations and solidly performed statutory obligations and social responsibilities in respect of anti-money laundering.

During the Reporting Period, the Bank continued to deepen the management of money laundering risk, implemented the requirements of anti-money laundering regulatory opinions, improved scientific and technological support capacity, and consolidated rectification achievements, further consolidating the foundation of anti-money laundering work and continuously improving the effectiveness of money laundering risk management. Firstly, the Bank continued to strengthen the construction of the system, strengthened the "internalization of external regulations" of the anti-money laundering regulatory policy in combination with the needs of the Bank's business development and risk management, and deeply implemented the requirements of various laws and regulations on anti-money laundering. Secondly, the Bank strengthened the scientific and technological support capacity, constantly promoted the intelligent construction of the system, improved and optimized the monitoring model indicators to improve continuously the monitoring and analysis capacity of the system. Thirdly, the Bank solidly carried out anti-money laundering training, and established a regular training mechanism for anti-money laundering, practically implemented anti-money laundering talent reserve and professional echelon construction, and improved performance ability of business personnel and anti-money laundering personnel. Fourthly, the Bank actively carried out anti-money laundering publicity activities, strictly implemented the fight against telecommunications network fraud, deeply promoted the effectiveness of crime crackdown, and constantly improved the public's awareness of money laundering risk prevention. Fifthly, the Bank implemented the "risk-based" principle, strengthened the monitoring and control of high-risk businesses, strengthened the risk management of high-risk customers and products, and organized and carried out special investigation of cash deposit and withdrawal management, cross-border remittance and other businesses to improve constantly the ability of risk control.

5.4.10 Country-specific Risk Management

Country-specific risks represent the risks of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banking financial institutions, or incur loss to commercial presences of banking financial institutions in that country or region, or other loss to banking financial institutions. It mainly exists in business activities such as credit, international capital market business, establishment of overseas institutions, agency transactions, and outsourcing services provided by overseas service providers.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Reporting Period, the Bank established a country-specific risks management system that was compatible with the strategic objectives of the Bank, and the scale of exposure and complexity of our country-specific risks in accordance with the management guidelines of the CBIRC and the actual situation of the Bank's business development. Country-specific risks management has covered all branches with cross-border asset business. Based on the sovereign credit rating of countries and regions and the actual situation of the Bank, the Bank formulated the country-specific risk rating and limit adjustment plan. According to the Bank's country-specific risk management measures and the requirements of the setting scheme on country-specific risk limit, each department with overseas asset business balance carried out real-time monitoring of the country-specific risk involved in its own business. Based on fully considering the risk mitigation factors, the Bank scientifically measured the country-specific risk exposure and made provision for the country-specific risk reserve.

5.5 FUTURE OUTLOOK AND DEVELOPMENT STRATEGY

In the past year, where the external environment was complex and volatile and the prevention and control of pandemic remained tough, and the global economic recovery slowed down significantly amidst multiple challenges. Against this background, China placed emphasis on stability in all policies, by coordinating prevention and control of pandemic and socioeconomic development, strengthening the cross-cycle adjustment of macroeconomic policies, which could maintain a reasonable abundance of liquidity, and stabilise inflationary expectations. As a result, the scale of monetary credit and social financing increased in a reasonable manner, the financial structure was steadily optimised, making new progresses in high-quality development, and realising the first 100-year goal and setting a good start for the 14th Five-Year Plan.

In 2022, China has embarked on a new journey towards its second 100-year goal. The overall opportunities still outweigh the challenges in spite of uncertainties in the global economy and financial markets, as well as triple pressures from contracting demand, supply shocks and weakening expectations against our economic development. The basic characteristics of China's long-term economic growth, vast market space and strong development resilience remain unchanged, and a new development pattern is taking shape with a large domestic cycle as the mainstay and a dual domestic and international cycle promoting each other. In 2022, the economic work will still adhere to the general tone of seeking progress while maintaining stability, and China will continue to implement a proactive fiscal policy and a prudent monetary policy, inject more vitality of micro-entities, support the development of small and medium-sized enterprises, rural revitalization, manufacturing, scientific and technological innovation and green transformation, and keep the economy running within a reasonable range. With the in-depth implementation of the new round of national northeast revitalization strategy, Liaoning province has taken the strategic layout of building a regional development pattern of "one circle, one belt and two regions (一圈一帶兩區)" and the strategic grasp of "three major articles (三篇大文章)" of structural adjustment, building a digital Liaoning and a strong province with intellectual manufacturing, and accelerated the development of dynamic energy. In general, the external economic and financial development is expected to be positive and unleash great potential, which will provide a space room for banks to expand their business.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Bank will correctly understand and accurately grasp the picture of economic and financial development, profoundly implement the general requirements of the Central Government on the comprehensive and all-round revitalization of northeast China, integrate into the overall national and regional development, focus on the strategic vision of "being a sound bank", comprehensively strengthen the leadership of the Party, return to its origins, focus on its main business, adhere to its market positioning of "serving the local economy, serving small and medium-sized enterprises and serving urban and rural residents", Sticking to the basic bank policy of "developing the Bank through deposits, compliance as a key foundation of the Bank, developing the Bank through talents, and developing the Bank through technology", the Bank has been putting the business strategy in place of "focusing on deposit growth, customer base building, value creation and capacity enhancement", actively adjusting its business structure, deepening local cultivation and sinking its services to low-tier market, effectively providing financial services to local small, medium and micro enterprises. On top of that, the Bank also adheres to prudent operation, consolidates asset quality and strengthens risk management in accordance with the general principles of "stability, standard, efficiency and law compliance", comprehensively promoted the three major constructions of "team, system and culture", so as to advance towards the goal of being a modern city commercial bank.

SIGNIFICANT EVENTS

RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the CBIRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank did not conduct any acquisition and disposal of assets or any business merger.

REPAYMENT OF THE RELEVANT RECEIVABLES BY SHENYANG HENGXIN

Reference is made to pages 164 to 165 of the prospectus of the Bank dated 15 December 2014 (the "Prospectus") in connection with the global offering of H Shares. As disclosed in the Prospectus, on 8 October 2014, Shenyang Hengxin undertook to the Bank that, among others, it will use the proceeds from disposing of the Shares it held to repay the outstanding balance of a loan in the amount of RMB1,723 million (such loan is classified as "Other Receivables" as the loan is interest-free) (the "Relevant Receivables") owed by Shenyang City Infrastructure Construction Investment Development Co., Ltd. (瀋陽市城市基礎設施建設投資發展有限公司) ("Shenyang City Construction") in full within two years from the date on which the H Shares first commenced trading on the Hong Kong Stock Exchange.

Reference is also made to (i) the circular of the Bank dated 5 August 2015 in relation to the proposed plan for the A Share Offering; and (ii) the announcements of the Bank dated 5 July 2015, 27 August 2015, 27 November 2015 and 30 November 2015 in relation to, among other things, the A Share Offering. As confirmed by the Bank's PRC legal advisers, pursuant to the relevant PRC laws and regulations as well as the regulatory requirements of the CSRC and the relevant stock exchange, Shenyang Hengxin, as a major holder of Domestic Shares, is not allowed to dispose of any Domestic Shares held by it before completion of the A Share Offering. In addition, the Domestic Shares held by Shenyang Hengxin will be subject to lock-up for 36 months from completion of the A Share Offering (the "Lock-up Period"). After negotiation among the Bank, Shenyang City Construction and Shenyang Hengxin regarding repayment of the outstanding balance of the Relevant Receivables, on 11 November 2016, Shenyang Hengxin provided a supplemental undertaking to the Bank that: (i) Shenyang Hengxin will continue to perform its obligations (including using the proceeds from disposal of a portion of the Shares it held to repay the outstanding balance of the Relevant Receivables) to repay the outstanding balance of the Relevant Receivables in full within 24 months from the expiry of the Lock-up Period; and (ii) without the Bank's written consent, Shenyang Hengxin will not dispose of any Shares it held, nor will it pledge or transfer any or all of such Shares or create any encumbrances on such Shares prior to the full repayment of the outstanding balance of the Relevant Receivables.



SIGNIFICANT EVENTS (CONTINUED)

Reference is further made to (i) the announcement of the Bank dated 31 March 2017 in relation to the withdrawal of its A-share listing application; and (ii) the announcement of the Bank dated 13 April 2017 in relation to the repayment of the Relevant Receivables by Shenyang Hengxin. The Bank and Shenyang Hengxin have been proactively pushing forward the relevant work related to the repayment of the Relevant Receivables, including but not limited to, going through the relevant approval procedures in accordance with the applicable PRC laws and regulations, with a view to implement the repayment of the Relevant Receivables.

As at the end of the Reporting Period, the outstanding balance of the Relevant Receivables was approximately RMB654 million, and the balance of the impairment provision was RMB260 million.

AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Bank dated 15 January 2021 in relation to the approval of amendments to the Articles of Association by the CBIRC Liaoning Bureau on 14 January 2021, with effect from the same date.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As at 31 December 2021, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there were no changes in the such shares.

	31 December 2020		Changes during the Reporting Period			31 December 2021	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	6,334,384,089	72.01	Nil	Nil	Nil	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	765,743,100	8.70	Nil	1,919,824,565	1,919,824,565	2,685,567,665	30.53
1.2 Shareholding of private legal persons	5,568,640,989	63.30	Nil	(1,919,824,565)	(1,919,824,565)	3,648,816,424	41.48
2. Shareholding of domestic natural persons	121,553,611	1.38	Nil	Nil	Nil	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Note:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of the end of the Reporting Period, the total number of domestic shareholders of the Bank was 3,454, and the total number of H Share shareholders was 149. Among domestic shareholders, there are 37 state-owned legal person shareholders, 106 private legal person shareholders, and 3,311 natural person shareholders.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.1 PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF DOMESTIC SHARES OF THE BANK

As at 31 December 2021, the top ten Shareholders of the Domestic Shares of the Bank are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Shenyang Shengjing Finance Investment Group Co., Ltd. (瀋陽盛京金控投資集團有限公司)([Shengjing Finance Holdings])	State-owned	1,829,225,327	20.79	0
2	Evergrande Group (Nan Chang) Co., Ltd. (恒大集團(南昌)有限公司)([Evergrande Nan Chang])	Private	1,281,855,435	14.57	0
3	Shenyang Hengxin	State-owned	479,836,334	5.45	0
4	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司)([Huibao International])	Private	400,000,000	4.55	400,000,000
5	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司)	Private	300,000,000	3.41	80,000,000
6	Founder Securities Co., Ltd. (方正證券股份有限公司)([Founder Securities])	Private	300,000,000	3.41	0
7	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
8	Lianmei Group Co., Ltd. (聯美集團有限公司)([Lianmei Group])	Private	200,000,000	2.27	0
9	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. (瀋陽中油天寶(集團)物資裝備有限公司)([Zhongyou Tianbao])	Private	190,000,000	2.16	0
10	Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團有限公司)([Northeast Pharmaceutical Group])	State-owned	137,833,335	1.57	0
Total			5,318,750,431	60.46	480,000,000

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.2 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS**1. Interests of Substantial Domestic Shareholders**

As at 31 December 2021, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
Shengjing Finance Holdings ⁽¹⁾	Beneficial owner	1,829,225,327 (Long position)	28.33	20.79
China Evergrande Group ⁽²⁾	Interest of a controlled corporation	1,281,855,435 (Long position)	19.86	14.57
Shenyang Hengxin ⁽³⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) ⁽³⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45
Huibao International ⁽⁴⁾	Beneficial owner	400,000,000 (Long position)	6.20	4.55
Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) ⁽⁴⁾	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55
Li Yuguo (李玉國) ⁽⁴⁾	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55

Notes:

- (1) According to the register of shareholders of the Bank as at 31 December 2021, Shengjing Finance Holdings held 1,829,225,327 Domestic Shares. Shengjing Finance Holdings was wholly-owned by Shenyang SASAC. By virtue of the SFO, Shenyang SASAC is deemed to be interested in the Shares held by Shengjing Finance Holdings.
- (2) China Evergrande Group (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) was interested in 1,281,855,435 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Nan Chang.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (3) According to the register of shareholders of the Bank as at 31 December 2021, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly-owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). Shenyang Industrial Investment Development Group Co., Ltd. was wholly-owned by Shenyang SASAC. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. and Shenyang SASAC are deemed to be interested in the Shares held by Shenyang Hengxin.
- (4) According to the register of Shareholders of the Bank as of at 31 December 2021, Huibao International held 400,000,000 Domestic Shares. Huibao International was wholly-owned by Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司), which was in turn controlled by Mr. Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) is accustomed to acting in accordance with Mr. Li Yuguo's (李玉國) direction pursuant to a relevant agreement entered into between Mr. Li Yuguo (李玉國) and Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司). By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) and Mr. Li Yuguo (李玉國) are deemed to be interested in the Shares held by Huibao International.

2. Interests of Substantial H Shareholders

As at 31 December 2021, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Cordoba Homes Limited ⁽²⁾	Interest of a controlled corporation/Beneficial owner	406,761,000 (Long position)	17.38	4.62
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/Beneficial owner	324,651,500 (Long position)	13.87	3.69
Oshidori International Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	293,034,000 (Long position)	12.52	3.33
Murtsa Capital Limited ⁽⁵⁾	Beneficial owner	203,676,000 (Long position)	8.70	2.32



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Satinu Resources Group Ltd ⁽⁵⁾	Interest of a controlled corporation	204,284,000 (Long position)	8.73	2.32
Cheng Yu Tung Family (Holdings II)Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding)Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁶⁾	Interest of a controlled corporation/Beneficial owner	179,518,060 (Long position)	7.67	2.04

Notes:

- (1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
- (2) Cordoba Homes Limited held 6,761,000 H Shares of the Bank through Cordoba Homes Treasury Limited (registered in British Virgin Islands), its wholly owned subsidiary; Cordoba Homes Limited is 61.98% controlled by Terra Firma Cordoba Limited; Terra Firma Cordoba Limited is wholly owned by Terra Firma Holdings Limited; Terra Firma Holdings Limited is wholly owned by PEAK TRUST COMPANY - NV. By virtue of the SFO, Cordoba Homes Limited, Terra Firma Cordoba Limited, Terra Firma Holdings Limited and PEAK TRUST COMPANY - NV are deemed to be interested in the Shares held by Cordoba Homes Limited.
- Future Capital Group held 400,000,000 H Shares of the Bank. Future Capital Group Limited is wholly owned by Core Heaven Group Limited; Core Heaven Group Limited is wholly owned by Cordoba Homes Treasury Limited (registered in Liberia); Cordoba Homes Treasury Limited (registered in Liberia) is wholly owned by Cordoba Homes Limited. By virtue of the SFO, Core Heaven Group Limited, Cordoba Homes Treasury Limited (registered in Liberia) and Cordoba Homes Limited as deemed to be interested in the Shares held by Future Capital Group Limited.
- (3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments Limited held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by CC Land Holdings Limited; CC Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, CC Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (4) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).

Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Winds Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

Kenson Investment Limited held 100,000,000 H Shares of the Bank. Kenson Investment Limited is wholly owned by Uptown WW Holdings Limited; Uptown WW Holdings Limited is wholly owned by Uptown WW Capital Group Limited (registered in British Virgin Islands); Uptown WW Capital Group Limited (registered in British Virgin Islands) is wholly owned by Uptown WW Capital Group Limited (Registered in Cayman Islands); Uptown WW Capital Group Limited (Registered in Cayman Islands) is wholly owned by Enerchina Investments Limited; Enerchina Investments Limited is wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Uptown WW Holdings Limited, Uptown WW Capital Group Limited (registered in British Virgin Islands), Uptown WW Capital Group Limited (registered in Cayman Islands), Enerchina Investments Limited and Oshidori International Holdings Limited are deemed to be interested in the shares held by Kenson Investment Limited.

- (5) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Satinu Capital (HK) Limited; Satinu Capital (HK) Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK) Limited, Satinu Holdings Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited. Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited, HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

- (6) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding)Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings)Limited and Cheng Yu Tung Family (Holdings II)Limited respectively. By virtue of the SFO, Chow Tai Fook (Holding)Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II)Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules)of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2021 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

7.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Shengjing Finance Holdings, Evergrande Nan Chang and Shenyang Hengxin held 1,829,225,327 Domestic Shares, 1,281,855,435 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 20.79%, 14.57% and 5.45% of the Bank's total share capital, respectively.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF DOMESTIC SHARES AND DE FACTO CONTROLLERS

Below is the information on the Bank's substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries as at the end of the Reporting Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC.

No.	Name of shareholder	Number of Shares held	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (number)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Shengjing Finance Holdings	1,829,225,327	20.79%	Holding 5% of more of the Bank's shares	0	Shenyang SASAC	Shenyang SASAC	Nil	Shengjing Finance Holdings
2	Evergrande Nan Chang	1,281,855,435	14.57%	Holding 5% of more of the Bank's shares, being appointed director	0	China Evergrande Group	Hui Ka Yan	Nil	Evergrande Nan Chang
3	Shenyang Hengxin	479,836,334	5.45%	Holding 5% of more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	Shenyang SASAC	Nil	Shenyang Hengxin
4	Founder Securities	300,000,000	3.41%	Appointed director	0	Peking University Founder Group Co., Ltd. (北大方正集團有限公司)	Peking University	Nil	Founder Securities
5	Luenmei Group	200,000,000	2.27%	Appointed supervisor	0	Lhasa Economic and Technological Development Zone Lianmei Holdings Co., Ltd. (拉薩經濟技術開發區聯美控股有限公司)	Su Zhuangqiang	Nil	Luenmei Group
6	Zhongyou Tianbao	190,000,000	2.16%	Appointed director	0	Liu Xinfu	Liu Xinfu	Nil	Zhongyou Tianbao
7	Liaoning Huafeng Investment Co., Ltd. (遼寧華峰投資有限公司)	100,000,000	1.14%	Appointed director	0	Bao Lijun	Bao Lijun	Nil	Liaoning Huafeng Investment Co., Ltd.

CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

7.5 ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

As at the end of the Reporting Period, details of the debt securities issued by the Bank are set out in the [Debt Securities Issued] section of Chapter 5.2.2.2 of this report and the note 30 to the section [NOTES TO THE FINANCIAL STATEMENTS].

2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2020 annual general meeting of the Bank held on 25 May 2021 that, subject to necessary approval by the governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, of which capital bonds with no fixed terms would not exceed RMB15 billion, and other types of financial bonds would not exceed RMB15 billion. Capital bonds with no fixed terms will have no fixed term, with the date of triggering event being the date of maturity, while the maturity of other types of financial bonds has a term of not more than 10 years (inclusive). The interest rate of the bonds will be determined based on the market interest rate. The proceeds from the issuance of the bonds will be used to optimise the structure of the Bank's assets and liabilities, stabilise the medium and long term funding sources and support the medium and long-term asset business, and will be used to issue loans to customers such as smg green finance, small and micro enterprises and mass entrepreneurship and innovation enterprises. The proceeds from the capital bonds with no fixed terms after deducting issuance expenses will be used to supplement tier-one capital of the Bank, optimise the capital structure of the Bank and improve the level of capital adequacy, thereby supporting the sustainable and stable development of the business.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

8.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Mr. QIU Huofa (邱火發)	61	Executive Director, Chairman of the Board
Mr. SHEN Guoyong (沈國勇)	51	Executive Director, President
Ms. ZHANG Jun (張琚)	51	Executive Director, Vice President
Mr. SHI Yang (石陽)	57	Executive Director, member of the Party committee
Ms. LI Ying (李穎) ^{Note1}	54	Executive Director, Vice President and Chief Risk Officer
Mr. SU Qingxiang (蘇慶祥) ^{Note2}	56	Non-executive Director and vice Chairman of the Board
Mr. LIANG Zhifang (梁志方)	50	Non-executive Director
Mr. NI Guoju (倪國巨)	67	Independent Non-executive Director
Mr. KEUNG Chak (姜策)	61	Independent Non-executive Director
Mr. TAI Kwok Leung, Alexander (戴國良)	64	Independent Non-executive Director
Mr. XING Tiancai (邢天才)	60	Independent Non-executive Director
Mr. LI Jinyi (李進一)	58	Independent Non-executive Director
Mr. HAN Li (韓力)	60	Shareholder Representative Supervisor, Chief Supervisor
Mr. YUEN Wing Shing (袁永誠)	75	Shareholder Representative Supervisor
Mr. PAN Wenge (潘文戈)	55	Shareholder Representative Supervisor
Mr. BA Junyu (巴俊宇)	66	External Supervisor
Mr. SUN Hang (孫航)	55	External Supervisor
Ms. CHENG Hua (程華)	42	External Supervisor
Mr. YU Xiaolong (于小龍)	44	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	45	Employee Representative Supervisor
Ms. XU Li (徐麗)	50	Employee Representative Supervisor
Mr. WANG Yigong (王亦工)	55	Vice President
Mr. ZHANG Xuwen (張學文)	54	Vice President
Mr. ZHU Yanbing (朱延冰) ^{Note3}	45	Vice President
Mr. SUN Yingpin (孫英品) ^{Note4}	47	Assistant to President
Mr. BAO Hong (包宏)	50	Chief Financial Officer
Mr. YANG Liya (楊利亞)	58	Chief Approval Officer
Mr. ZHOU Zhi (周峙)	53	Secretary to the Board
Ms. LI Zheng (歷嶢)	36	Human Resources Director

^{Note1} The eligibility of Ms. LI Ying as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note2} The eligibility of Mr. SU Qingxiang as the vice Chairman of the Board of the Bank is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note3} The eligibility of Mr. ZHU Yanbing as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

^{Note4} The eligibility of Mr. SUN Yingpin as the Assistant to President is subject to formal approval by the CBIRC Liaoning Bureau.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors and Senior Management

Reference is made to the announcement of the Bank dated 16 March 2021, the qualifications of Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying to serve as executive Directors, and Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. Zhu Jialin and Mr. Ji Kun to serve as non-executive Directors were approved by the CBIRC Liaoning Bureau and their terms of office commenced from 12 March 2021.

After the resolution of the Board of Directors, Ms. LI Ying was appointed as the Vice President of the Bank on 30 March 2021, and the eligibility of Ms. LI Ying as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

Reference is made to the announcement of the Bank dated 30 March 2021 regarding the resignation of Ms. JIANG Liming from the position of proposed non-executive Director and the proposed member of the Strategic Development Committee of the Board due to personal reasons.

Reference is made to the announcement of the Bank dated 30 March 2021 regarding (among other things) the nomination of Mr. PAN Darong as a candidate for non-executive Director at the Board meeting on 30 March 2021. At the 2020 annual general meeting of the Bank held on 25 May 2021, the Shareholders approved (among other things) the election of Mr. PAN Darong as a non-executive Director of the Bank. The eligibility of Mr. PAN Darong as non-executive Director is subject to formal approval by the CBIRC Liaoning Bureau.

Reference is made to the announcement of the Bank dated 30 March 2022 regarding (i) Mr. Zhu Jialin's resignation as a non-executive Director, a member of the Audit Committee and a member of the Nomination and Remuneration Committee of the Bank due to personal work arrangement; (ii) Mr. Ji Kun's resignation as a non-executive Director and a member of the risk control and consumers' rights protection committee of the Bank due to personal work arrangement; and (iii) Mr. PAN Darong's resignation as a proposed non-executive Director of the Bank due to personal work arrangement.

After the resolution of the Board of Directors, Mr. ZHU Yanbing was appointed as the Vice President of the Bank on 17 August 2021, and the eligibility of Mr. ZHU Yanbing as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

After the resolution of the Board of Directors, Mr. Sun Yingpin was appointed as the Assistant to President of the Bank on 17 August 2021, and the eligibility of Mr. SUN Yingpin as the Assistant to President is subject to formal approval by the CBIRC Liaoning Bureau.

2. Changes in Supervisor

During the Reporting Period, there was no change of Supervisors.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.3 BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are biographies of the Directors, Supervisors and senior management of the Bank as at the date of this announcement:

1. Biographies of Directors

Executive Directors

Mr. QIU Huofa (邱火發), aged 61, has been serving as the chairman of the Board, an executive Director of the Bank and the Party committee secretary since May 2019. Mr. QIU served as a non-executive Director of the Bank from May 2017 to May 2019 and as the vice chairman of the Board of the Bank from February 2018 to May 2019. Before joining the Bank, Mr. QIU held various positions in different levels of offices of China Everbright Bank, mainly including vice president and a Party Committee member, assistant to president of its head office of China Everbright Bank, president and the Party committee secretary of its Beijing branch, the director of the business department and the Party committee secretary of its head office, and the president and the Party committee secretary of its Guangzhou branch. Mr. QIU also held a number of positions at all levels of Bank of Communications, mainly including the president of its Changsha branch, the vice president of Wuhan branch and the president of Wuchang sub-branch.

Mr. QIU graduated from Shijiazhuang Army Academy majoring in infantry commanding in September 1981 and received a master degree in finance from Zhongnan University of Economics and Law in June 2000. He has the senior economist title. He was awarded the [National May 1 Labour Medal for Finance Industry] and [National May 1 Labour Medal] in 2010 and 2011, respectively. In addition, he previously served as a deputy to the ninth National Party Congress from Guangdong and a deputy to the fifteenth People's Congress of Xicheng District, Beijing.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. SHEN Guoyong (沈國勇), aged 51, was elected as an executive Director of the Bank in October 2020. Since August 2020, Mr. SHEN has been serving as the president of the Bank, and the party committee member of the Bank since May 2019. From February 2020 to August 2020, Mr. SHEN served as the executive vice president of the Bank. From January 2019 to February 2020, Mr. SHEN served as the vice president of the Bank and the president and party secretary of its Beijing Branch. Before joining the Bank, Mr. SHEN held various positions at China CITIC Bank, mainly including the general manager of the corporate business department of its head office, the general manager of the factoring business center of the head office, the president and party secretary of the Harbin branch and deputy general manager of the sales department of the head office of China CITIC Bank (Beijing branch).

Mr. SHEN obtained a bachelor's degree in economics from the China University of Finance (currently known as the University of International Business and Economics) in July 1992 and a master's degree in business administration from the Chinese University of Hong Kong in December 2007. Mr. SHEN has the senior economist title.

Ms. ZHANG Jun(張琚), aged 51, has served as the vice president of the Bank and the chairman of Shengyin Consumer Finance Co., Ltd, the subsidiary of the Bank, since August 2020, and has served as a member of the Party committee of the Bank since August 2019. From November 2019 to August 2020, Ms. ZHANG successively served as the chief risk officer of the Bank and director of Shengjing Bank Consumer Finance Co., Ltd. Before joining the Bank, Ms. ZHANG held various positions in China Everbright Bank, mainly including the deputy general manager of the credit approval department, the approval officer of the credit approval department and the director of the Auto Finance Center of the corporate business department, the general manager of the retail business department of the Beijing branch and the general manager of the corporate business department of its Beijing branch. Before joining China Everbright Bank, Ms. ZHANG held various positions in the Haidian sub-branch of China Construction Bank, mainly including the general manager of the corporate business department, the general manager of Shangdi branch office and the deputy general manager of the international business department.

Ms. ZHANG obtained a bachelor's degree in economics from the Capital University of Economics and Business in July 1992, and a master's degree in economics from Renmin University of China in July 2003. Ms. ZHANG has the senior economist title.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. SHI Yang (石陽), aged 57, was elected as an executive Director of the Bank in October 2020. Mr. SHI has been serving as a member of the Party Committee of the Bank since February 2020, the president of the Shenyang branch of the Bank since January 2015, and the Party Committee secretary of the Shenyang branch of the Bank since July 2015. From June 2014 to October 2020, Mr. SHI served as an employee representative supervisor of the Bank. Mr. SHEN joined the Bank in March 1987 and held various positions in the Bank (including its predecessors), mainly including the deputy secretary to the Party Committee and vice president of the Shenyang branch, the president of the Dandong branch, the president of Yuhong sub-branch, the president of Yuanlu sub-branch, vice president of Tiexi sub-branch of the Bank.

Mr. SHI graduated from the Party School of the Liaoning Committee of the Chinese Communist Party(中共遼寧省委黨校) in March 1997, majoring in economic management, and obtained a diploma of post-graduation studies in political economics from Northeast Normal University in December 2000. He has the senior economist title.

Ms. LI Ying (李穎), aged 54, was elected as an executive Director of the Bank in October 2020. Ms. LI has been serving as a member of the Party Committee of the Bank since June 2020, appointed as the vice president of the Bank in March 2021. Ms. LI has been serving as the chief risk officer of the Bank since July 2020, and from July 2020 to May 2021, Ms. LI served as the general manager of the legal security department of the Bank, the general manager of the Special Asset Management Center. Before joining the Bank, Ms. LI held various positions in China Everbright Bank, mainly including the deputy general manager of the risk management department and the deputy general manager of the special asset management department of its head office, the risk director and vice president of the Taiyuan branch, the risk director and a member of the Party Committee of the Changchun branch, the general manager of the international business department and the general manager of the risk management department of the Shenyang branch. Before joining China Everbright Bank, Ms. LI served in Shenyang branch of the Bank of China.

Ms. LI obtained a bachelor's degree in engineering in industrial accounting from Nanjing University of Science and Technology in July 1990. Ms. LI holds the professional qualification of senior accountant and the professional qualification of senior certified credit analyst.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Non-executive Directors

Mr. SU Qingxiang (蘇慶祥), aged 56, was elected as a non-executive Director and vice Chairman of the Board of the Bank in October 2020. Since August 2013, Mr. Su has been serving as the Party committee secretary, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. From March 2013 to August 2013, Mr. SU served as the preparatory group leader, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. From February 2009 to March 2013, Mr. SU served as the general manager and the chairman of Shenyang Infrastructure Construction and Development Group Co., Ltd. From November 2001 to February 2009, Mr. SU served as a Party leadership group member and the deputy director of the finance office of the Shenyang Municipal Government. From August 1987 to November 2001, Mr. SU worked for the People's Bank of Liaoning Province, Shenyang Municipal Government and the Standing Committee of the Shenyang Municipal People's Congress.

Mr. SU graduated from Harbin Finance College (哈爾濱金融專科學院) with a major in city finance in August 1987 and obtained an MBA from Party School of Liaoning Provincial Party Committee in December 2008. Mr. SU has the intermediate economist title.

Mr. LIANG Zhifang (梁志方), aged 50, was elected as a non-executive Director of the Bank in October 2020. serves as deputy general manager of Shenyang Industrial Investment & Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) now. From July 2020 to March 2022, Mr. LIANG has been serving as the director of Shenyang Hengxin. From April 2002 to July 2020, Mr. LIANG successively served as a deputy general manager, a deputy secretary of the Party committee, a secretary of the discipline inspection commission of Shenyang Hengxin. From January 2001 to April 2002, Mr. LIANG served as the manager of the operation department of Shenyang Hengxin Asset Management and Development Co., Ltd. Mr. LIANG served as a project manager of the technical transformation fund office of Shenyang Economic and Trade Commission from July 1997 to December 2000.

Mr. LIANG obtained a bachelor's degree in economics from Northeastern University in July 1995, a master's degree in engineering from the same university in September 1997, and a master's in public administration from Illinois Institute of Technology in August 2011. Mr. LIANG has the economist title.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Independent non-executive Directors

Mr. NI Guoju (倪國巨), aged 67, has been elected as an independent non-executive Director of the Bank since February 2018. Mr. NI served as the Party committee secretary of the Management School of Wuhan University of Science and Technology from March 2009 to April 2014. From January 2007 to March 2009, Mr. NI served as the Party committee secretary of the Continuing Education School of Wuhan University of Science and Technology. From October 2005 to January 2007, Mr. NI served as the director of the Department of Infrastructure of Wuhan University of Science and Technology. From December 1997 to October 2005, he served as the general manager of the Technology and Development Company of Wuhan University of Science and Technology. From July 1978 to December 1997, he successively served as an assistant lecturer and a lecturer, the deputy secretary of the Party branch, the Party committee secretary and the deputy director of the Department of Moral Education Wuhan Iron and Steel Institute (武漢鋼鐵學院) (renamed as Wuhan University of Science and Technology in 1995). Mr. NI has been serving as an independent director of Xiangyang Boya Precision Industrial Equipments Co., Ltd. (襄陽博亞精工裝備股份有限公司) since March 2020.

Mr. NI completed his studies in metallic materials and heat treatment in Wuhan Iron and Steel Institute in July 1978.

Mr. KEUNG Chak (姜策), aged 61, elected as an independent non-executive Director of the Bank in February 2018. He has been serving as an adviser of SZCE Ronghe Investment Co., Ltd. (深圳市建融合投資有限公司) since October 2021. Mr. KEUNG has served as the chairman of SZCE Ronghe Investment Co., Ltd. from January 2016 to October 2021. From October 2002 to December 2015, he served as an executive director of Hong Kong Sun Asset Management Limited (香港陽光資本管理有限公司). From December 1998 to September 2002, he served as an executive director of Hong Kong Concord Capital Securities Limited (香港協和證券有限公司). From July 1983 to December 1998, Mr. KEUNG served in positions at the finance department and the investment department of China Everbright Industrial Corporation (中國光大實業總公司).



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. KEUNG obtained a bachelor's degree in applied mathematical statistics specialisation from Shanghai University of Finance and Economics (上海財經大學) in July 1983.

Mr. TAI Kwok Leung, Alexander (戴國良), aged 64, elected as an independent non-executive Director of the Bank in February 2018, is a partner of VMS Securities Limited. Mr. TAI was previously the manager of the Hong Kong and Australian offices of PricewaterhouseCoopers, the director of corporate finance of Standard Chartered Asia Limited, the director of China Corporate Finance Limited, the managing director of Orchid Asia Group Management Ltd., and the managing director and the head of the corporate finance department of Investec Capital Asia Limited. Mr. TAI is licensed by the Hong Kong Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 4: (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. TAI is currently an independent non-executive director of Qingdao Youwu Smart Home Technology Co., Ltd., AAG Energy Holdings Limited (SEHK stock code: 2686), G & M Holdings Limited (SEHK stock code: 6038) and Jiayuan International Group Limited (SEHK stock code: 2768). Mr. TAI was an independent non-executive director of Luk Fook Holdings (International) Limited (SEHK stock code: 590) and Anhui Conch Cement Company Limited (SEHK stock code: 914).

Mr. TAI graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in commerce and administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. XING Tiancai (邢天才), aged 60, elected as an independent non-executive Director of the Bank in February 2018. Since October 2017, he has been serving as an independent director of Datong Securities Company Limited (大通證券有限公司). Since September 2021, Mr. XING has been the dean of the Institute of Monetary and Financial Studies of Dongbei University of Finance and Economics (東北財經大學) and the executive dean of Qingdao Institute of Finance (青島金融研究院). He has been serving as the dean of the Graduate School of Dongbei University of Finance and Economics from May 2017 to September 2021. From December 2016 to May 2017, he served as the head of the development planning and disciplinary construction department of Dongbei University of Finance and Economics. From December 2006 to December 2016, he served as the dean of the School of Finance of Dongbei University of Finance and Economics. From September 1999 to December 2006, he served as the dean of the Vocational Technical School of Dongbei University of Finance and Economics. From August 1986 to September 1999, Mr. XING served as a deputy director of the research section under the School of Investments, a deputy director of the Graduate Department, the head of Higher Education Research successively at Dongbei University of Finance and Economics.

Mr. XING obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics (遼寧財經學院) in July 1984 and a master's degree in economics and a doctoral degree in economics from Dongbei University of Finance and Economics in September 1987 and April 2003, respectively. He was elected as a professor in December 2000, and was approved as a national second-level professor in 2011. Mr. XING was awarded the title of [Excellent Expert] by the Dalian Municipal People's Government and approved as an expert to enjoy special government allowance from the State Council in 2013 and was granted the [May 1 Labour Medal] of Liaoning Province in 2015 and was granted the [Leader of the National Specially Supported Program for High-level Talents (Leader of the National Ten-thousand Talents Program)] from the Organization Department of the Central Committee of the Communist Party of China and the Ministry of Human Resources and Social Security.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. LI Jinyi (李進一), aged 58, elected as an independent non-executive Director of the Bank in February 2018. He has served as a senior partner and a part-time lawyer of Guangdong Shenglun Law Firm (廣東勝倫律師事務所) since 2017. He has been serving as a lecturer at the School of Economics and subsequently an associate professor at the Management School of Jinan University (暨南大學) since April 1991. From 2002 to 2017, he was a part-time lawyer at Guangdong Xindesheng Law Firm. From 1996 to 2002, he was a part-time lawyer at Guangdong Jinan Law Firm. He is currently an independent director of GRG Banking Equipment Co., Ltd. (SZSE stock code: 002152), Guangzhou Restaurant Group Co., Ltd. (SSE stock code: 603043), Guangdong Aofei Data Technology Co., Ltd. (SZSE stock code: 300378) and Gmg International Tendering Co., Ltd. (BSE stock code: 831039). Mr. LI has served as an independent director of GRG Banking Equipment Co., Ltd. (from 2006 to 2012), Guangzhou Haige Communications Group Incorporated Company (SZSE stock code: 002465), Sotech Smarter Equipment Co., Ltd. (SZSE stock code: 300173) and Comefly Outdoor Co., Ltd. (SSE stock code: 603908).

Mr. LI obtained his bachelor's degree and master's degree in law from Southwest University of Political Science and Law in July 1985 and January 1991, respectively. He was elected as an associate professor in December 1998.

2. Biographies of Supervisors

Shareholder Representative Supervisor

Mr. HAN Li (韓力), aged 60, has been serving as a Shareholder Representative Supervisor and chairman of the Board of Supervisors of the Bank in October 2020. Since May 2019, Mr. HAN has been serving as a Party committee member of the Bank. From February 2013 to May 2019, Mr. HAN served as the director, deputy secretary of the Party leadership group, Party leadership group secretary of Shenyang Audit Bureau, as well as the director of the General Office of the audit committee of the Shenyang Municipal Committee. From March 2005 to July 2008, Mr. HAN served as the deputy director of Shenyang Audit Bureau. From September 2002 to March 2005, he served as an assistant inspector of Shenyang Audit Bureau. From November 1999 to September 2002, Mr. HAN served as an assistant to the director and the director of the General Office of Shenyang Audit Bureau. From September 1996 to November 1999, Mr. HAN served as the director of the General Office of Shenyang Audit Bureau. From February 1992 to September 1996, he served as the deputy director of the agriculture and forestry department of Shenyang Audit Bureau. From August 1983 to February 1992, Mr. HAN served as a staff member, a section member and the deputy director of the industry and transportation department of Shenyang Audit Bureau.

Mr. HAN obtained a master's degree in applied sociology from Chinese Academy of Social Sciences in July 1998. Mr. HAN has an accountant qualification.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. YUEN Wing Shing (袁永誠), aged 75, has been serving as a Shareholder Representative Supervisor of the Bank since October 2020. Mr. YUEN served as a non-executive Director of the Bank during the period of February 2018 to October 2020. He is currently an executive director of The Cross-Harbour (Holdings) Limited (SEHK stock code:32) and Y. T. Realty Group Limited (SEHK stock code: 75), all of which are public companies listed on the Stock Exchange. He was an executive director and a managing director of Planetree International Development Limited (formerly known as Yugang International Limited, (SEHK stock code:613) and resigned on 30 April 2019. He also held as a senior management position with a major bank in Hong Kong for over 20 years. Mr. YUEN obtained a Diploma in Management Studies awarded jointly by the then Hong Kong Polytechnic and Hong Kong Management Association.

Mr. PAN Wenge (潘文戈), aged 55, has been serving as a Shareholder Representative Supervisor of the Bank since May 2014. He has been the vice president of Luenmei Quantum Co., Ltd. (聯美量子股份有限公司) (SSE stock code: 600167) since October 2020. Prior to that, he served as the chief financial officer in that company from November 2009 to October 2020. He held the position of the deputy chief financial officer at Luenmei (China) Investment Co., Ltd. (聯美(中國)投資有限公司) from May 2007 to November 2009. From May 2000 to May 2007, he worked at Huaxia Bank, where he successively served as the deputy general manager of the financing center of its Shenyang branch, the general manager of the business department of Shenyang branch, the president of Shenyang Beizhan sub-branch and Shenyang Zhongshan Square sub-branch.

Mr. PAN graduated from Dongbei University of Finance and Economics in July 1988, majoring in finance and accounting, and obtained a master's degree in applied psychology from Liaoning Normal University in July.

External supervisors

Mr. BA Junyu (巴俊宇), aged 66, has been serving as an External Supervisor of the Bank since February 2018. He served as an independent non-executive Director of the Bank from June 2010 to February 2018. He has been served as an independent non-executive director of Asia Resources Holding Limited (SEHK stock code: 899) since July 2018. Mr. BA has been a professor at Shenyang Ligong University (瀋陽理工大學) since September 2001, and served as the principal, a professor and a researcher of the social economy research institute of Shenyang Ligong University from September 2001 to May 2009. Prior to that, he served as an associate professor and the head of the economic research institute at Shenyang University from April 1996 to August 2003. From August 1985 to April 1996, he served as a vice dean, a deputy principal and an associate professor of the market economy research institute of Shenyang Institute of Finance and Economics. He used to work at the teaching and research office of Shenyang Accounting School (瀋陽市財會學校) as a deputy director, a director and a lecturer from August 1982 to August 1985.

Mr. BA graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in July 1982, majoring in commercial enterprise management. He has been a researcher as accredited by the Human Resources Department of Liaoning Province since August 2008.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(CONTINUED)

Mr. SUN Hang (孫航), aged 55, has been serving as an External Supervisor of the Bank since February 2018. He has been the director of the Enterprise Management Research Centre of Liaoning Academy of Social Sciences since March 2016. He served as an independent non-executive Director of the Bank from May 2014 to February 2018. Prior to that, he served as the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences from April 2007 to March 2016, the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, a deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and a manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998.

Mr. SUN graduated from Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance & Economics (安徽財貿學院)) in July 1988, majoring in merchandising. He has been a senior economist as accredited by the Human Resources Department of Liaoning Province since December 2001, and a researcher as accredited by the department of human resources and social security of Liaoning Province since September 2011.

Ms. CHENG Hua (程華), aged 42, was elected as an External Supervisor of the Bank in October 2020. Since June 2021, Ms. Cheng has served as an independent director of Shandong Buchang Pharmaceuticals Co., Ltd. (SSE stock code: 603858). Ms. CHENG has been serving as an independent non-executive director of Xiangcai Co., Ltd. (SSE stock code: 600095) since August 2020. Since September 2011, Ms. CHENG has served as a senior accountant on the Accounting Standards Board of the Ministry of Finance. From August 2006 to September 2011, Ms. CHENG worked as a senior accountant at the Accounting Standards Committee of the Ministry of Finance of China.

Ms. CHENG obtained a bachelor's degree in management from Shandong University of Finance and Economics in July 2001, a master's degree in management from Tongji University in November 2003 and a doctoral degree in management from Shanghai University of Finance and Economics in September 2006. Ms. CHENG is qualified as a senior accountant and certified public accountant.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Employee Representative Supervisor

Mr. YU Xiaolong (于小龍), aged 44, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. YU has served as the party secretary of the Party Committee and the president of the Beijing branch of the Bank since July 2020. From February 2020 to July 2020, he served as the deputy party secretary of the Party Committee and the acting president of the Beijing branch of the Bank. Before joining the Bank, Mr. YU held various positions in China Everbright Bank. From November 2018 to January 2020, Mr. YU served as the secretary of the Disciplinary Committee (a level equal to vice president of the tier 1 branch) at its Dalian branch. From February 2015 to November 2018, Mr. YU successively served as the general manager of the Party affairs supervision department (security department) and the general manager of the General Office at its Beijing branch. From March 2011 to February 2015, Mr. YU served as the president of its Beijing Dongcheng sub-branch. From July 1997 to March 2011, Mr. YU served successively in the Head Office of the Bank as a clerk, business director, business head of business office, deputy director of the business office settlement department, director of the comprehensive management division of the agency payment department, director of the collection management division of the agency payment department, and deputy general manager of the agency payment department (in charge of work) at the sales department.

Mr. YU obtained a bachelor's degree in law from Beijing Institute of Technology in October 2005 and a master's degree in engineering from Beihang University in January 2012.

Mr. NIU Jiao (牛角), aged 45, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. NIU has served as the Party secretary of the Party Committee and the president of the Dalian branch of the Bank since November 2020. From October 2020 to November 2020, Mr. NIU served as the Party secretary of the Party Committee of the Dalian branch. From January 2020 to October 2020, he served as the general manager of the strategic clients department and general manager of the business department of the Bank. From May 2019 to January 2020, Mr. NIU served as member of the Party Committee of the Tianjin branch of the Bank. Before joining the Bank, Mr. NIU held various positions in Shanghai Pudong Development Bank. From January 2017 to May 2019, Mr. NIU served as the general manager of the sales department and general manager of the retail marketing department at its Dalian branch. From October 2010 to January 2017, Mr. NIU served as the president of its Anshan branch. From March 2005 to October 2010, Mr. NIU served successively as a senior clients manager, vice president of the Democracy Square sub-branch and president of the Xigang sub-branch at its Dalian branch. From July 1998 to March 2005, Mr. NIU served as a loan officer and head of credit section at Dalian Bank.

Mr. NIU obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in June 1998 and a master's degree in business administration from the Chinese University of Hong Kong in December 2009.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Ms. XU Li (徐麗), aged 50, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Ms. XU has been a general manager of the audit department of the Bank since November 2020. From March 2020 to November 2020, Ms. XU served as the deputy general manager of the planning and financial management department of the Bank. From September 2009 to March 2020, Ms. XU held various positions in China Everbright Bank, mainly including the assistant to the general manager of the corporate business management department at its Shenyang branch, the president of the Heping sub-branch, the general manager of the sales department at its Shenyang branch, the general manager of the planning and finance department at its Shenyang branch of the Bank. From February 2009 to September 2009, Ms. XU served as the deputy general manager of the business department of the Hangzhou branch of Ping An Bank. From November 2008 to February 2009, Ms. XU served as the head of the business department (under preparation) of the Wuxi branch of China Everbright Bank. From March 1999 to November 2008, Ms. XU served successively as the stationed counter manager and business office manager of the operation management department of the Shenyang branch of China Everbright Bank. From August 1996 to March 1999, Ms. XU served as a general officer and manager of the business office of the Jincheng sub-branch of the Shenyang branch of China Investment Bank. From July 1994 to August 1996, Ms. XU served as a teacher in accounting in the Economics Department of Liaoning Young Cadre College.

Ms. XU obtained a bachelor's degree in economics from Liaoning University in July 1994. Ms. XU has the intermediate economist title.

3. Biographies of Senior Management

For the biography of Mr. SHEN Guoyong (沈國勇), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".

For the biography of Ms. Zhang Jun (張珺), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".

For the biography of Ms. LI Ying (李穎), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".

Mr. WANG Yigong (王亦工), aged 55, has been serving as the vice president of the Bank since January 2013. Mr. Wang served as an executive Director of the Bank from August 2013 to October 2020, and served as chief risk officer of the Bank from January 2013 to November 2019. Mr. Wang held the position of general manager of the credit and loan management department of the Bank from January 2006 to January 2013. He served as deputy general manager of the asset security department, the president of Liaoshen Sub-branch, president of Zhenghao Sub-branch of the Bank from June 1998 to January 2006. Mr. WANG served for Industrial and Commercial Bank of China.

Mr. Wang graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995. He has obtained the "Shenyang May 1 Labor Medal awarded" by Shenyang General Labor Union in April 2015.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. ZHANG Xuewen (張學文), aged 54, was appointed as the vice president of the Bank in January 2019. He served as the party secretary and the president of the Changchun branch of the Bank from January 2014 to January 2019; the general manager of the marketing department of the Bank from August 2012 to January 2014; and the vice president of the Changchun branch of the Bank from April 2011 to August 2012. From September 2003 to April 2011, Mr. ZHANG served as a supervisory researcher at the Deputy Department Director level of the Central Bank Department of the Jilin Banking Regulatory Bureau, the Director of the Second Corporate On-site Inspection Department of the Jilin Banking Regulatory Bureau and the Contact Group for Improving Small Enterprises' Financial Services of the Jilin Banking Regulatory Bureau. From December 1998 to September 2003, he served as a senior staff member of the Second Inspection Department of the Changchun Financial Regulation Bureau, director staff member of the Central Bank Department. Mr. ZHANG worked in the Jilin People's Bank and from August 1991 to December 1995.

Mr. ZHANG holds a master's degree in political economics from Dongbei Normal University in December 2001 and has a title of economist.

Mr. ZHU Yanbing (朱延冰), aged 45, has been appointed as the vice president of the Bank since August 2021. From October 2020 to August 2021, Mr. ZHU served as Assistant to the President of the Bank. From July 2000 to October 2020, Mr. ZHU held various positions in Bank of Communications. From August 2019 to October 2020, Mr. ZHU served as a member of the Party Committee, the vice president and credit executive officer of its Liaoning Branch. From January 2004 to August 2019, Mr. ZHU served successively as the manager and deputy senior manager of the Business Credit Asset Preservation Division of Asset Preservation Department, the senior manager of the first team of Asset Preservation of Risk Management Department (asset preservation unit), and the senior manager of the first team of Asset Preservation Department of Asset Preservation Center (prospective business units). From July 2000 to January 2004, he served at the Baoshan sub-branch at its Shanghai Branch.

Mr. ZHU obtained a bachelor's degree in management from Tongji University in July 2000 and has the title of intermediate economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(CONTINUED)

Mr. SUN Yingpin (孫英品), aged 47, was appointed as the Director of retail business of the Bank in August 2021, and serves as the general manager of Digital Finance Department. From September 2019 to August 2021, Mr. SUN successively served as the general manager of the Retail Banking Department of the Head Office, the director of the retail business of the Bank, and from June 2020 to August 2021, he also served as the general manager of Internet Finance Department (renamed Digital Finance Department since June 2021). From November 2016 to September 2019, he served as the general manager of the Retail Banking Department of the Head Office and concurrently served as the general manager of the Comprehensive Management Department for Wealth Management Business of the Head Office from November 2016 to March 2018. From March 2018 to October 2018, Mr. SUN also served as the general manager of the Wealth Management Department of the Head Office. From April 2011 to November 2016, Mr. SUN served successively as the manager of the Marketing Department, president assistant, the Party committee secretary and vice president (in charge of work) of the Anshan Branch of the Bank. From November 1997 to April 2011, Mr. SUN also held various positions in the Anshan Branch of the Agricultural Bank of China, mainly including the section head of the Business Department, the vice president of the Xiuyan sub-branch and the vice president of Haicheng sub-branch.

Mr. SUN obtained a bachelor's degree in management from Northeastern University in July 1997, and has the title of intermediate economist.

Mr. BAO Hong (包宏), aged 50, has been appointed as the chief financial officer of the Bank since March 2020. Mr. BAO joined Shenyang Cooperative Bank, the precedent of the Bank in August 1992 and has held various important positions in the Bank. Mr. BAO has been serving as the director of Shengyin Consumer Finance Co., Ltd. since June 2019, and general manager of the Planning Financial Management Department of the Bank since March 2019. From January 2015 to March 2019, Mr. BAO successively served as the vice president of Tianjin Branch, Changchun Branch of the Bank, the deputy director of the President's Office of the Bank (in charge of work), the general manager of the Assets and Liabilities Management Department of the Bank. From January 2009 to January 2015, Mr. BAO successively served as the deputy director of the Board Office (in charge of work) and the deputy director of the development strategy research center of the Bank, the executive vice president of Beijing Branch of the Bank, the deputy general manager of Shenyang Business Management Department of the Bank, the chief financial officer of the Bank, the director of the Board Office, the director of the President's Office, the secretary of the Board, and the director of the Listing Promotion Office. From August 1992 to January 2009, Mr. BAO held several positions at the Baogong Branch, the foreign exchange business department, and Binhe Branch of the Bank.

Mr. BAO obtained master's degree in business administration from Coventry University in the United Kingdom in November 2002. Mr. BAO obtained the professional qualification of senior accountant recognised by Liaoning Provincial Department of Human Resources and Social Security in September 2005.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

Mr. YANG Liya (楊利亞), aged 58, appointed as the chief approval officer of the Bank in October 2020, served as an Employee Representative Supervisor and Chief Supervisor of the Bank from August 2018 to October 2020. From June 2017 to July 2018, Mr. YANG served as the chief risk officer of Evergrande Financial Group and the general manager of risk management center of China Evergrande Group (listed on the Hong Kong Stock Exchange, stock code: 3333). From April 1991 to December 2016, Mr. YANG held various positions in China Construction Bank, mainly including a special loan approval officer, the risk director of the Shanxi Branch, vice president of Zhengzhou Jinshui Sub-branch, principal staff member of Henan Branch and vice president of Pingdingshan Branch of China Construction Bank Corporation (head office). From August 1984 to August 1988, Mr. YANG served successively as a researcher of China Academy of Engineering Physics and Henan Provincial Government Development Research Center, respectively.

Mr. YANG graduated as a postgraduate in technical economics from Tsinghua University in March 1991. In December 1998, Mr. YANG was accredited as a senior economist.

Mr. ZHOU Zhi (周峙), aged 53, has been appointed as the secretary of the Board of the Bank since February 2015. Mr. ZHOU joined the Nanhu Sub-branch of Shenyang Cooperative Bank, the Bank's predecessor in August 1991. From June 2006 to September 2019, Mr. ZHOU successively served as the director of the Supervisors' office, the deputy director and director of the strategic development research center of the Bank. From May 2005 to June 2006, Mr. ZHOU served as the deputy director of the president's office of the Bank. From May 1998 to May 2005, he served as the assistant to the general manager and deputy general manager of the market development department and deputy director of the development strategy research center. From August 1991 to May 1998, Mr. ZHOU successively worked as a staff member of the securities department and the City Plaza business department of the Bank (including its predecessor).

Mr. ZHOU obtained a master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning Province since 2003.

Ms. LI Zheng (歷嶂), aged 36, she has worked with the Bank since March 2020 and has been appointed as the Human Resources Director of the Bank. From July 2008 to March 2020, Ms. LI held various positions in Evergrande Group. From June 2010 to March 2020, Ms. LI successively served as the development director, investment director, assistant to general manager (in charge of personnel and marketing), deputy general manager and project general manager of Evergrande Real Estate Group (Liaoning Company). From March 2009 to June 2010, Ms. LI served as the manager of the competition department of Guangdong Evergrande Volleyball Club. From July 2008 to March 2009, Ms. LI served as a recruitment specialist in the Human Resources Center of Evergrande Group.

Ms. LI obtained a bachelor's degree in education from South China Normal University in July 2008, and a master's degree in business administration from Liaoning University in December 2018.

Save as disclosed above, all our Directors, Supervisors and members of senior management meet the relevant CBIRC qualification requirements for their respective positions. For those whose appointments require approval by the CBIRC, the approvals have been duly obtained.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

4. Biographies of Joint Company Secretaries

Mr. ZHOU Zhi (周峙), aged 53, is one of the joint company secretaries of the Bank and was appointed in February 2015. For the biography of Mr. ZHOU, please refer to “Directors, Supervisors, Senior Management and Employees –Biographies of Senior Management”.

Ms. KWONG Yin Ping Yvonne (鄺燕萍), aged 66, is one of the joint company secretaries of the Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. KWONG has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a director of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. KWONG received a bachelor’s degree in accounting from Hong Kong Polytechnic University in November 1997. She is a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute since 2012.

8.4 EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK

The remuneration of executive Directors of the Bank is determined in accordance with the Remuneration Management Measures of the Bank, which specifically includes basic remuneration, performance remuneration and other benefits, wherein the basic remuneration of executive Directors is determined based on their management positions in the Bank, performance remuneration is determined based on the Bank’s operating performance and personal assessment (mainly based on aspects such as their implementation of the Board’s decision and deployment, performance of job responsibilities, operating performance, management performance, and comprehensive evaluation), and other benefits include statutory pension, medical and housing provident fund, enterprise annuity, etc.

The remuneration of non-executive Directors and independent non-executive Directors of the Bank is determined in accordance with the Directors and Supervisors Allowance System of the Bank. No remuneration is received by non-executive Directors from the Bank while their meeting subsidies are paid by the Bank based on the number of on-site Board meetings they attended with a subsidy standard of RMB5,000 per meeting. The allowance for independent non-executive Directors of the Bank is RMB18,000 per month. At the same time, independent non-executive Directors may receive reward remuneration based on their duty performance (mainly including their working hours, meeting attendance, advice and suggestions and participation in corporate governance and others) each year, the remuneration shall be no more than RMB80,000 per year.

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

8.5 EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As at 31 December 2021, the Bank had a total of 8,099 employees.

The Bank has established a compensation system that is consistent with corporate governance requirements, compatible with sustainable development of the Bank and balanced between short-term incentives and long-term incentives. Employee compensation consists of fixed salary, variable salary, and welfare income. It is determined by employee ability and results of performance assessment, which gives play to the incentive and bounding functions of compensation and takes into account external competitiveness and internal equity. The Bank contributes to its employees' social insurance and provides housing funds company pension, supplementary medical insurance and other employee benefit in accordance with the provisions of PRC laws, rules and regulations.

The Bank has adhered to the operating concept of "developing the Bank through talents", aimed to continuously improve the comprehensive quality and professional competence of its employees, and effectively conducted training activities at each hierarchy level, focusing on compliance management, risk prevention and control, and marketing capability, practically carried out training activities of all levels. Through improving training and management system, the Bank strengthened the establishment of training management team and internal trainer team, formulated training books and testing questions, built "mobile learning platform of Shengjing Bank" and expanded training channels. A total of 226,660 person-times training was carried out throughout the year.



CORPORATE GOVERNANCE REPORT

In accordance with the requirements of modern enterprise governance, the Bank has formed a corporate governance structure with the general meeting as the highest power authority, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body and the senior management as the executive body. It has formed a corporate governance system with independent operation, effective balance, mutual cooperation and coordinated operation to fully protect the rights and interests of Shareholders, constantly enhance corporate value, and actively practice social responsibility.

In 2021, the Bank complied with the relevant laws and regulations in all material respects. The Bank actively conducted performance appraisals on the Board, senior management, further upgraded its standards of information disclosure and standardized its work on management of investor relations, to continuously enhance the transparency and corporate governance standards.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of inside information. Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

The Bank will strive to continuously improve the level of corporate governance and improve the relevant systems of corporate governance in a timely manner in accordance with various laws and regulations and regulatory requirements, provide a good guarantee for the standardized operation of the corporate governance structure so as to ensure compliance with the Code and meet the higher expectations of the shareholders and investors.

GENERAL MEETING

Information of General Meetings

In 2021, the Bank convened one general meeting, details of which are set out below:

At the 2020 annual general meeting of the Bank convened on 25 May 2021, proposals were considered and approved on the matters including the work report of the Board of Directors for 2020, the work report of the Board of Supervisors for 2020, the final financial accounts for 2020 and financial budget report for 2021, the profit distribution plan for 2020, appointment of auditors for 2021, the general mandate to issue new shares, and the proposed issuance of financial bonds.

The above general meetings were convened in compliance with the procedures as required by the relevant laws and regulations

CORPORATE GOVERNANCE REPORT (CONTINUED)

THE BOARD AND SPECIAL COMMITTEES

Implementation of Resolutions of General Meetings by the Board

In 2021, the Board implemented each resolutions passed at the general meeting regarding, among other things, the final financial accounts for 2020 and financial budget for 2021, the profit distribution plan for 2020, appointment of auditors for 2021 and the issuance of financial bonds.

Composition of the Board

As at the date of this announcement, the Board of the Bank comprises a total of 12 Directors, including five executive Directors, namely, Mr. QIU Huofa (Chairman), Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying; two non-executive Directors, namely, Mr. SU Qingxiang, and Mr. LIANG Zhifang; and five independent non-executive Directors, namely, Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi.

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

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination and remuneration committee, the strategic development committee, the related party transactions control committee and the risk control and consumers' rights protection committee. Details of such committees are set out in this report.

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision D.3.1 (which has been renumbered as code provision A.2.1 since 1 January 2022) of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Changes in Directors

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.

Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and interim meetings when necessary. Board meetings may be conducted by way of on-site meetings or voting via video conference. The agenda for a regular meeting of the Board is prepared after consulting the Directors, which will be notified to all Directors and Supervisors in writing 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The president reports regularly to the Board and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he or she is materially interested, and must not be counted in the quorum for such proposal.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at shareholders' general meetings;
- (2) implement resolutions adopted at shareholders' general meetings;
- (3) make decisions on the Bank's business plans and investment plans, formulate the Bank's operational development strategies;
- (4) formulate the Bank's annual financial budgets and accounts;
- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities
- (7) formulate plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;
- (8) decide on matters within the scope authorised at a shareholders' general meeting, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management, related transactions, etc.;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president, vice president and other senior management officers in accordance with the recommendations of the chairman, and determine their remunerations, rewards and punishment;
- (11) formulate proposals on the remuneration and subsidies of the Directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to the Articles of Association of the Bank;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's information into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at a shareholders' general meeting the engagement, replace or discontinuance of engagement of an accounting firm of the Bank;



CORPORATE GOVERNANCE REPORT (CONTINUED)

- (16) supervise and evaluate the work performance of the Directors and senior management officers of the Bank, listen to the president's work report and inspect the president's work;
- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit for senior management officers set by the Board of Directors;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or asset;
- (19) draw up share incentive and equity repurchase plans of the Bank; and decide on the measures to link employees' salaries with the operational performance of the Bank;
- (20) report to the relevant authorities of the government in accordance with the laws and regulations with respect to significant events involving operational risks and financial security as well as major decisions that are likely to lead to financial risks and financial security issues before such decisions are made;
- (21) be responsible for the management of equity affairs of the Bank, and take the ultimate responsibility for the management of equity affairs;
- (22) be responsible for the protection of consumer rights, and take the ultimate responsibility for the protection of consumer rights, take the protection of consumer rights into each segment of corporate governance, incorporate the protection of consumer right into our business development strategies and corporate culture;
- (23) be responsible for anti-money laundering management work of the Bank, and take the ultimate responsibility for the management of money laundering risks;
- (24) implement requirements of the laws, administrative regulations, departmental rules or the Articles of Association as well as other duties and powers granted by the shareholders' general meeting.

The resolutions of the above matters of the Board must be approved by more than half of all the Directors, but in respect of matters required by Article 184 of the Articles of Association, the resolutions must be approved by more than two-thirds of all the Directors.

Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings

Pursuant to the Code, the Board is required to convene regular meetings at least four times every year and at least once in each quarter. Such regular meetings do not include obtaining Board approval through circulating written resolutions.

In 2021, the Board convened 5 meetings in total (including voting via video conference), at which 45 proposals were considered and approved, and 3 matters were heard, mainly including the development strategic planning, appointment of senior management, proposed issuance of financial bonds, formulation of management of accountability, financial report, profit distribution, the evaluation report on internal control, the report on comprehensive risk management etc.

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2021 are set out below:

Members of the Board	Attendance in person/by proxy/required attendance (times)						
	Board	Audit Committee	Nomination and Remuneration Committee	Strategic Development Committee	Related Party Transactions Control Committee	Risk Control and Consumers' Rights Protection Committee	General Meetings
Executive Directors							
Qiu Huofa (Chairman)	5/0/5		2/0/2	2/0/2			1/0/1
SHEN Guoyong	5/0/5			2/0/2		2/0/2	1/0/1
ZHANG Jun	5/0/5				8/0/8		1/0/1
SHI Yang	5/0/5				8/0/8		1/0/1
LI Ying	5/0/5					2/0/2	1/0/1
Non-executive Directors							
SU Qingxiang	5/0/5			2/0/2			0/0/1
LIANG Zhifang	5/0/5	2/0/2					0/0/1
Independent non-executive Directors							
NI Guoju	5/0/5		2/0/2		8/0/8		0/0/1
KEUNG Chak	5/0/5	2/0/2	2/0/2				0/0/1
TAI Kwok Leung, Alexander	5/0/5	2/0/2				2/0/2	0/0/1
XING Tiancai	5/0/5	2/0/2			8/0/8	2/0/2	0/0/1
LI Jinyi	5/0/5		2/0/2	2/0/2	8/0/8		0/0/1
Former Directors							
ZHU Jialin	5/0/5	2/0/2	2/0/2				0/0/1
JI Kun	5/0/5					2/0/2	0/0/1



CORPORATE GOVERNANCE REPORT (CONTINUED)

Notes :

- (1) Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference, and Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
- (2) Certain Directors were unable to attend the general meeting of the Bank due to the arrangements for the prevention and control of the COVID-19 in 2021.

Independent Non-executive Directors

During the Reporting Period, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.

During the Reporting Period, the Bank's independent non-executive Directors duly attended the meetings of the Board and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board and relevant special committees by application of their professional capabilities and industrial experiences. The Bank's independent non-executive Directors strengthened their communication with the senior management business departments and external auditors and thoroughly studied the operation and management of the Bank. They effectively fulfilled their fiduciary and diligent obligations and provided strong support to the Board for it to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2021.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2021, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

Continuous Professional Development Program for Directors

The newly appointed Director of the Bank received a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

The Bank has attached great importance to the continuous professional development and training of its Directors, and provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will have sufficient information and comply with good corporate governance codes. During the Reporting Period, the Bank invited intermediaries and institutions and departments within the industry to hold seminars and trainings on the continuing obligations of directors of listed companies, Corporate Governance Guidelines for Banking and Insurance Institutions, the comprehensive risk management of commercial banks, the response and disposal of public opinion for banks and the Accountability Management Measures of Shengjing Bank so as to constantly strengthen the internal construction of the Board, and enhance the performance of Directors. During the Reporting Period, each of the Directors have participated in continuous professional development and training.

During the Reporting Period, certain members of the Board paid site visits to the Shanghai branch, Changchun branch and departments of head offices of the Bank, had an in-depth conversation with the branch management team and customer managers, and listened to the report on the operation and management of the branches, deeply understood the situation of branches in risk management, internal control, compliance operation, cultural construction and information technology, etc. According to the local economic and financial environment, the members of the Board provided targeted guidance and put forward the followup work ideas and suggestions.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

Special Committees under the Board

The Board has the following committees: audit committee, nomination and remuneration committee, strategic development committee, related party transactions control committee and risk control and consumers' rights protection committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Directors of the Bank.

(I) Audit Committee

As of 31 December 2021, the Bank's audit committee consisted of five Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, Mr. LIANG Zhifang as the vice chairman, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. XING Tiancai as members. As of the Latest Practicable Date, the Bank's audit committee consisted of four Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, Mr. LIANG Zhifang as the vice chairman, and Mr. KEUNG Chak and Mr. XING Tiancai as members. The composition of the audit committee of the Bank complies with Rule 3.21 of the Listing Rules and paragraph C3 (which has renumbered as paragraph D3 since 1 January 2022) of the Code.

CORPORATE GOVERNANCE REPORT (CONTINUED)

been The primary duties of the audit committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, review the completeness of the Bank's financial information, including financial statements an annual report and accounts, interim reports (if any) and quarterly reports (if any), and review the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;

2. with respect to external auditors:
 - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal of the external auditors;
 - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
 - (3) develop and implement policy on engaging external auditors to provide non-audit services;
 - (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
 - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
 - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.



CORPORATE GOVERNANCE REPORT (CONTINUED)

3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. perform other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the audit committee convened two meetings, at which 14 proposals were considered, mainly including the 2020 financial report, the 2020 profit distribution plan, the 2020 internal audit work report, 2020 annual internal control compliance evaluation report, the engagement of auditors for 2021, financial management practices, the financial report for the six months ended 30 June 2021 and the 2021 interim report. In addition, the audit committee held four meetings with the auditors and two meetings with the auditors in the absence of the management in accordance with the code provisions of the Code.

(II) Nomination and Remuneration Committee

As at 31 December 2021, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. NI Guoju as the chairman, and Mr. QIU Huofa as the vice chairman, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. LI Jinyi as members. As at the Latest Practicable Date, the Bank's nomination and remuneration committee consisted of four Directors, including Mr. NI Guoju as the chairman, and Mr. QIU Huofa as the vice chairman, and Mr. KEUNG Chak and Mr. LI Jinyi as members. The composition of the nomination and remuneration committee of the Bank complies with Rule 3.25 of the Listing Rules and paragraph A5 (which has been renumbered as paragraph B3 since 1 January 2022) of the Code.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;

CORPORATE GOVERNANCE REPORT (CONTINUED)

3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairman and President of the Bank;
6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairman or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior managers;
9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. perform other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.



CORPORATE GOVERNANCE REPORT (CONTINUED)

During the Reporting Period, the nomination and remuneration committee convened two meetings, at which 11 proposals were considered, mainly including matters such as the appointment of senior management, 2020 annual performance review of senior management, 2021 implementation plan for human resources and compensation reform, the appraisal report on the performance of duties by Directors for 2020 and the report on the work of independent non-executive Directors for 2020. During the process of appointment of senior management, the nomination and remuneration committee fully evaluated the skills, knowledge and experience of the candidates, and preliminarily reviewed the candidate's qualifications in accordance with relevant laws and regulations. The nomination and remuneration committee make recommendations to the Board in conjunction with relevant policies of the Bank.

The diversity policy of the Board is summarised as follows:

The Board believes that a board of directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decisionmaking ability of the Board. In selecting candidates, the Board and the nomination and remuneration committee consider a large number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination and remuneration committee reports annually on the composition of the Board from the perspective of diversity. The Board considers that the current structure and composition of the Board is appropriate to enable it to carry out its responsibilities of leadership and monitoring of the Bank.

As at the end of the Reporting Period, the Board comprised 14 Directors, of whom 12 were male and two were female, and one Director was ordinarily resident in Hong Kong. The Board is diverse in terms of gender, education background, professional experience, skills knowledge and service term of its members.

(III) Strategic Development Committee

As of 31 December 2021, the Bank's strategic development committee consisted of four Directors, including Mr. QIU Huofa as the chairman, Mr. SU Qingxiang as the vice chairman, and Mr. SHEN Guoyong and Mr. LI Jinyi as members.

The primary duties of the strategic development committee include:

1. review and provide advice to the Board on the Bank's mid- and long-term development strategies;
2. supervise and assess the implementation of the Bank's development strategies;
3. review and provide advice to the Board on the annual budget and final accounts;
4. supervise and inspect the implementation of annual operation plans and investment plans;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management;

CORPORATE GOVERNANCE REPORT (CONTINUED)

6. review the Bank's plans for establishment of branches and sub-branches, material investment and financing, disposal of assets, mergers and acquisitions;
7. inspect and assess the integrity of the Bank's corporate governance structure; and
8. review the Bank's information technology strategic plan and annual business continuity management plan.

During the Reporting Period, the strategic development committee held two meetings, at which 21 proposals were considered on the matters mainly including the strategic development plan outline for 2021–2026, the report of the Board of Directors for 2020, the Board of Directors' delegation of authority to senior management, the data governance strategic plan for 2021–2023, the institutional development plan for 2021, the evaluation report for capital adequacy ratio for 2020.

(IV) Related Party Transactions Control Committee

As of 31 December 2021, the Bank's related party transactions control committee consisted of five Directors, including Mr. LI Jinyi as the chairman, Ms. ZHANG Jun as the vice chairman, and Mr. SHI Yang, Mr. NI Guoju and Mr. XING Tiancai as members.

The primary duties of the related party transactions control committee include:

1. identify related parties of the Bank and report to the Board of Directors and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties;
2. conduct review of related party transactions subject to review by the Board and submit such related party transactions to the Board for review, or review the related party transactions within its scope of authority;
3. supervise related party transactions conducted by the Bank; and
4. review the Bank's annual related party transactions and the plan for related party transactions control, and submit the same to the Board for review.

During the Reporting Period, the related party transactions control committee held eight meetings, at which 24 proposals were considered on the matters mainly including 2020 annual review of related party transactions and the 2021 control plan for related party transactions, identifying related parties as at the end of 2020 and for the first half of 2021 and 2020 work review and 2021 work plan of the related party transactions control committee.



CORPORATE GOVERNANCE REPORT (CONTINUED)

(V) Risk Control and Consumers' Rights Protection Committee

As of 31 December 2021, the Bank's risk control and consumers' rights protection committee consisted of five Directors, including Mr. XING Tiancai as the chairman, Mr. SHEN Guoyong as the vice chairman, and Ms. LI Ying, Mr. JI Kun and Mr. TAI Kwok Leung, Alexander as members. As of the Latest Practicable Date, the Bank's risk control and consumers' rights protection committee consisted of four Directors, including Mr. XING Tiancai as the chairman, Mr. SHEN Guoyong as the vice chairman, and Ms. LI Ying and Mr. TAI Kwok Leung, Alexander as members.

The primary duties of the risk control and consumers' rights protection committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;
3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and
6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, based on the overall risk management strategies of the Bank, the risk control and consumers' rights protection committee reviewed and amended the Bank's risk management policies, regularly reviewed the risk reports submitted by the senior management to further understand the Bank's risk management work and the effectiveness of relevant measures, and made recommendations to the Board.

During the Reporting Period, the risk control and consumers' rights protection committee held two meetings, at which 28 proposals were considered on the matters mainly including the 2020 comprehensive risk management report, the 2020 internet lending business assessment report, the 2020 interest rate risk management report for the banking book, the 2020 significant outsourcing risk management assessment report, 2020 information technology risk management report, 2020 liquidity risk management report, major IT outsourcing project report for 2019–2021, 2020 internal control evaluation report, 2020 anti-money laundering risk management report and 2020 consumers' rights protection work report.



CORPORATE GOVERNANCE REPORT (CONTINUED)

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors comprised nine Supervisors, including three Shareholder representative Supervisors, namely, Mr. HAN Li, Mr. YUEN Wing Shing and Mr. PAN Wenge, three External Supervisors, namely, Mr. BA Junyu, Mr. SUN Hang and Ms. CHENG Hua, and three Employee Representative Supervisors, namely, Mr. YU Xiaolong, Mr. NIU Jiao and Ms. XU Li.

Chairman of the Board of Supervisors

Mr. HAN Li serves as the chairman of the Board of Supervisors and is responsible for organising the performance of duties of the Board of Supervisors.

Meetings of the Board of Supervisors

In 2021, the Board of Supervisors held a total of five meetings, at which 38 proposals were considered and heard, and approved on matters including the 2020 work report of the Board of Supervisors, the 2020 supervision and evaluation report, the 2020 annual report, the 2020 comprehensive risk management report, the 2020 evaluation report on internal control, the 2020 financial accounts and the 2021 budget report, the 2020 profit distribution plan and performance appraisal on the Directors, Supervisors and senior management of the Bank.

During the Reporting Period, the External Supervisors performed their supervisory duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors, and actively participated in the special supervision and research activities of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)		
	Board of Supervisors	Supervision Committee	Nomination Committee
Shareholder Representative Supervisors			
HAN Li	5/0/5	2/0/2	1/0/1
YUEN Wing Shing	5/0/5		1/0/1
PAN Wenge	5/0/5	2/0/2	
External Supervisors			
BA Junyu	5/0/5	2/0/2	
SUN Hang	5/0/5		1/0/1
CHENG Hua	5/0/5	2/0/2	
Employee Representative Supervisors			
YU Xiaolong	5/0/5		1/0/1
NIU Jiao	5/0/5	2/0/2	
XU Li	5/0/5		1/0/1

Note: Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Committees under the Board of Supervisors

The Bank has established a supervision committee and a nomination committee under the Board of Supervisors. The committees operate in accordance with terms of reference established by the Board of Supervisors.

(I) *Supervision Committee*

As at 31 December 2021, the Bank's supervision committee under the Board of Supervisors consisted of five Supervisors, including Mr. BA Junyu as the chairman, and Mr. HAN Li, Mr. PAN Wenge, Ms. CHENG Hua and Mr. NIU Jiao as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board;
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the supervision committee held two meetings, at which 30 proposals were considered and 9 proposals were heard on the matters mainly including the 2020 supervisor review report, the 2020 comprehensive risk management report, the 2020 internal control review report, the 2020 internal audit work report and the outline of the strategic plan for development 2021–2026 and other matters.



CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) Nomination Committee

As at 31 December 2021, the Bank's nomination committee under the Board of Supervisors consisted of five Supervisors, including Mr. SUN Hang as the chairman and Mr. HAN Li, Mr. YUEN Wing Shing, Mr. YU Xiaolong and Ms. XU Li as members.

The primary duties of the nomination committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research on the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the rationality and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the nomination committee held one meeting, at which 4 proposals were considered, being the 2020 work report of the nomination committee of the Board of Supervisors, the 2020 report of the Board of Supervisors on the performance evaluation of Directors, Supervisors and senior managers, the 2020 proposal on the performance appraisal of senior managers and the 2021 implementation plan for human resources and remunerations reform.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President has the right to organise and conduct business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific regulations;
6. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
7. authorise persons in charge of internal departments and branches to conduct operational activities;
8. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
9. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking regulatory authority of the State Council and the Board of Directors and the Board of Supervisors; and
10. other powers and rights conferred by the Articles of Association and by the Board of Directors.



CORPORATE GOVERNANCE REPORT (CONTINUED)

Total before tax remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of individuals
Nil to RMB2,000,000	0
RMB2,000,001 to RMB3,000,000	5
RMB3,000,001 to RMB4,000,000	0

DELEGATION OF POWER BY THE BOARD

The management led by the Board exercises its powers in accordance with its responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure items must be approved by the Board through the annual budget proposal before execution. Any items that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

In order to further improve the corporate governance system, enhance the internal control and risk management mechanism, the Bank has formulated the “Management Measures for Delegation of Power by the Board to Senior Management”, taking into account the laws and regulations and the actual operation and management situation, to strengthen the unified management, regulate the authorization acts and protect the legitimate rights and interests of the Bank and all shareholders. The relevant matters delegated by the Board to the management include the approval authority of bond investment, acquisition of assets and credit granting, disposal of assets, write-off of assets, financial expenses, donations to external bodies, human resources, institution establishment and adjustment, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to the section headed “Corporate Governance Report – The Board and Special Committees”.

CHAIRMAN AND PRESIDENT

The roles and functions of the Chairman and the President of the Bank are carried out by different persons. For details of the Chairman and the President of the Bank, please refer to the section headed “Directors, Supervisors, Senior Management and Employees”.

The Chairman of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for the day-to-day operation and management.

During the Reporting Period, the Chairman held two meetings with the independent non-executive Directors in the absence of other Directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report”.

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2021, respectively. For the year ended 31 December 2021, the total fees as agreed to be paid by the Bank to KPMG and KPMG Huazhen LLP for the annual audit and interim review of the financial statements were RMB6.50 million.

INTERNAL CONTROL

Risk Management and Internal Control

(I) Management System

The Board is responsible for the establishment and implementation of a sound risk management and internal control system as well as regularly conducting comprehensive assessment. Such system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board and senior management. The senior management is responsible for the day-to-day operation of risk management and internal control across the Bank. Meanwhile, the Board has established the audit committee, the risk control and consumers’ rights protection committee and the related party transactions control committee to fulfill the corresponding responsibilities of risk management and internal control and evaluate the effectiveness of such risk management and internal control.

The Board attaches great importance to the construction of risk management and internal control, and has established a risk management system featuring “uniform leadership, vertical management and hierarchical accountability” to identify, assess and manage the major risks related to the Bank. In particular, the Bank complies with the requirements on the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Guidelines on Compliance Risk Management in Commercial Banks (《商業銀行合規風險管理指引》). Accordingly, the Bank developed a risk management and internal control system which covers such five aspects as internal environment, risk identification and assessment, internal control activities, information and communication, and internal supervision and is in line with the Bank’s development strategies, operating scale, scope of business and risk appetite. The Board, the Board of Supervisors and senior management constantly pay attention to the effectiveness of risk management and internal control, actively promote relevant rectification and reforms and optimise its system rules, procedures and information technology system, thereby encouraging its functional departments and all branches and sub-branches to strengthen risk control in order to improve business quality.



CORPORATE GOVERNANCE REPORT (CONTINUED)

(II) Annual Assessment

During the Reporting Period, in accordance with the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Guidelines for the Comprehensive Risk Management of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) and other legal and regulatory requirements, the Bank thoroughly implemented the scientific and steady risk management strategy, adjusted the organizational structure of risk management, improved the risk management system, strengthened risk identification, measurement and evaluation, strengthened training, inspection, assessment and supervision, and promoted the continuous improvement of the quality and efficiency of risk management. The Bank conducted a comprehensive analysis and evaluation of internal control and compliance management in five aspects: internal control environment, risk identification and assessment, internal control measures, information and communication and internal supervision, continuously strengthened internal control and compliance management and improved risk control ability. During the Reporting Period, the Board has conducted an annual review of the effectiveness of the Bank's internal control and risk management. The Board reviewed the risk management report three times and the internal control report once. The Board considers the Bank's risk management and internal control systems effective and adequate. Meanwhile, the Board believes that the resources, qualifications and experience of staff of the Bank's accounting, internal audit and financial reporting functions as well as providing them adequate trainings and financial budgets. There was no significant matter of concern during the Reporting Period.

(III) Management of Inside Information

The Bank attaches great importance to its information disclose, is in strict compliance with all regulations in the listing venues, adheres to the principles of timeliness, fairness, accuracy, truthfulness and completeness as to its information disclosure. The Bank has established procedures for information disclosure to designate the department responsible for managing inside information to satisfy the requirements of SFO and other applicable laws on information disclosure. The Bank also constantly improves its efforts in information disclosure and investor relations management, and carries out information disclosures in accordance with applicable laws.

For further details of risk management and internal control of the Bank, please refer to the sections headed "Management Discussion and Analysis – Risk Management" and "Internal Control" in this report.

COMPANY SECRETARY

Mr. Zhou Zhi is one of the joint company secretaries of the Company, while Ms. Kwong Yin Ping Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary fulfilling the relevant qualification requirements of the Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication among the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Bank. Each Director can discuss with, seek advice from and obtain information from the company secretary. The main contact in the Bank for Ms. Kwong Yin Ping Yvonne is Mr. Zhou Zhi.

Each of Mr. Zhou Zhi and Ms. Kwong Yin Ping Yvonne has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INFORMATION DISCLOSURE

During the Reporting Period, the Bank was in strict compliance with the requirements of carrying out true, accurate, complete and timely information disclosure under relevant laws and regulations. The Bank simultaneously published 37 announcements on HKEx News and the Bank's website to enhance the transparency of the company's governance.

Effective Communication with Shareholders

The Bank places great emphasis on communication with the Shareholders, and strives to improve mutual understanding and communication with the Shareholders through various channels including general meeting, promotion roadshows, visitor reception and telephone enquiries.

Amendments to the Articles of Association

Reference is made to the announcement of the Bank dated 15 January 2021 in relation to the approval of amendments to the Articles of Association by CBIRC Liaoning Bureau on 14 January 2021, with effect from the same date.

SHAREHOLDERS' RIGHTS

Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receipt date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.



CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board of Supervisors shall give notice of a Shareholders' general meeting or a class shareholder meeting within five days from receipt of the request upon agreeing to convene an extraordinary Shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting within the stipulated period, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' general meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Proposals at General Meetings

The Board and the Board of Supervisors as well as Shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

PROFIT AND DIVIDEND DISTRIBUTION POLICY

According to the Articles of Association, the profit and dividend distribution policy of the Bank are as follow:

- (I) According to Article 280 of the Articles of Association, the Bank shall set aside 10% of the profits from the after-tax profits for the year to its statutory reserve fund. The Bank needs not allocate further amounts if the accumulated amount of the statutory reserve fund is over 50% of its registered capital. If the statutory reserve fund is not sufficient to cover the losses incurred in the previous year, the profits of the current year shall be used to cover such losses before any allocation to the statutory reserve fund is made in accordance with the provisions of the previous paragraph. After the Bank has set aside statutory reserve fund from the after-tax profits, the Bank, subject to the approval of the Shareholders' general meeting, may make allocation to the discretionary reserve fund from the aftertax profits after setting aside general reserves in accordance with the relevant provisions. The balance of the aftertax profits of the Bank after making up losses and setting aside statutory reserve fund may be distributed to the Shareholders in pro rata to their shareholding unless it is otherwise stipulated in the Articles of Association that the profits shall not be distributed in pro rata to the shareholding of the Shareholders. Where the Shareholders' general meeting distributes profits to Shareholders in violation of the foregoing provisions before the Bank's making up losses and setting aside statutory reserve funds, the Shareholders concerned must return to the Bank the profits distributed in violation of the provisions. Shares of the Bank held by the Bank shall not participate in the distribution of profits.
- (II) According to Article 286 of the Articles of Association, the profit distribution policy of the Bank shall emphasize the reasonable investment return to the investors and be in the interest of the Bank's long-term development. The Bank may distribute profits via bonus issue, payment of cash dividend and so on.

CORPORATE GOVERNANCE REPORT (CONTINUED)

RELATIONSHIP WITH KEY STAKEHOLDERS

The Bank considers its employees as its core assets. The Bank has established a performance-based compensation system to encourage a fair and friendly working environment. The Bank has also developed and implemented proper strategies and plans to support the career path and professional advancement of its employees.

Paying close attention to the customers' demands, the Bank has continuously diversified its products and services as well as expanded its sales channels, with a view to optimising the customer experience and expanding its client base. The Bank will continue its endeavors to provide its customers with quality products and services.

INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel: +86 (24)2253 5633
Fax: +86 (24)2253 5930
E-mail: dongshihui@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:
Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

SHAREHOLDERS' ENQUIRIES

Any enquiries related to your shareholding of H Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent 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: (852)2862 8555
Fax: (852)2865 0990

Any enquiries related to your shareholding of Domestic Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel:+86 (24)2253 5633
Fax:+86 (24)2253 5930



CORPORATE GOVERNANCE REPORT (CONTINUED)

ADDITIONAL INFORMATION

The Bank currently holds a Financial License (institution number: B0264H221010001) issued by the CBIRC Liaoning Bureau, and a Business License (unified social credit code: 91210100117809938P) issued by the Administration for Industry and Commerce of Shengyang. The Bank is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry out banking and/or deposit-taking business in Hong Kong.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2021.

PRINCIPAL BUSINESS

The Bank engages in banking businesses and the related financial services.

BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the section headed "Management Discussion and Analysis". The key financial performance indicators are set out in the section headed "Financial Highlights". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, in the section headed "Corporate Governance Report". Analysis on the relationship with key stakeholders can also be found in the section headed "Corporate Governance Report".

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Bank are set out in "Management Discussion and Analysis – Risk Management".

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There are no important events affecting the Bank that have occurred since the end of the Reporting Period.

FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to the "Management Discussion and Analysis – Future Outlook and Development Strategy".

PROFITS AND DIVIDEND

The profit distribution policy of the Bank attaches importance to reasonable investment returns to investors and adheres to the principles that are conducive to the long-term development of the Bank. The profit distribution of the Bank may be made by way of bonus shares, cash dividends, etc. The Board of Directors is responsible for formulating profit distribution proposals. A profit distribution proposal should be determined by two-thirds or more of our Directors and approved at a general meeting by way of ordinary resolution. The independent Directors should express their opinions on the profit distribution proposals to the Board of Directors. The Board of Supervisors should review the profit distribution proposals and express its opinions on the compliance and appropriateness of such proposals. The Bank will determine whether to distribute any dividends, and in what amount, based on factors, including the Bank's results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, the Bank's Shareholders' interests, statutory and regulatory restrictions on the Bank's dividend distribution.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The Bank's revenue for the year ended 31 December 2021 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements".

Pursuant to the resolutions passed at the 2020 annual general meeting of the Bank held on 25 May 2021, it was resolved that the no final dividend for 2020 would be distributed to all Shareholders.

As approved at the meeting of the Board of the Bank held on 30 March 2022, it is proposed that no final dividend for 2021 be declared to all Shareholders. Such resolution for no distribution of dividend will be considered at the 2021 annual general meeting.

The independent non-executive Directors of the Company also expressed independent opinions on such profit distribution plan. The amounts of cash dividend and ratios of cash dividend to profit for the year of the Bank for the past three years are as follows:

	2020	2019	2018
	<i>RMB Million, except percentages</i>		
Cash dividend (tax inclusive)	0	0	695.6
As a percentage of profit for the year	0	0	13.6%

CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank and of the reserves available for distribution for the year ended 31 December 2021 are set out in the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Bank for the year ended 31 December 2021 are set out in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2021 is set out in the "Financial Highlights".

DONATIONS

The charitable and other donations made by the Bank for the year ended 31 December 2021 amounted to approximately RMB5.365 million.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2021 are set out in Note 22 to the financial statements.

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Bank to employees are set out in Note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at 31 December 2021 are set out in the "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities of the Bank.

PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank. These Articles of Association provide that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, or otherwise as permitted by the laws and administrative regulations.

MAJOR CUSTOMERS

The Bank is not dependent too much on a single major depositor/borrower. As at the end of the Reporting Period, the operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The Directors of the Bank and its connected persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

SHARE CAPITAL

Details of the change in the share capital of the Bank during the year are stated in Note 33 to the financial statements.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Details of the Directors, Supervisors, senior management and employees are stated in the section headed "Directors, Supervisors, Senior Management and Employees".



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his independence, and considered that all the existing independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the chief executive and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were set out as follows:

Domestic shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (股)	Percentage of the Domestic Shares of the bank (%)	Percentage of the Total share capital of the bank (%)
SHI Yang (石陽)	Executive Director	Beneficial owner	107,684	0.0017	0.0012
		Interest of spouse	5,722	0.0001	0.0001

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2021.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

ARRANGEMENTS FOR DIRECTORS AND SUPERVISORS 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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at 31 December 2021 and at any time during the Reporting Period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any material transaction, arrangement or contract (excluding service contracts) in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors nor Supervisors has entered into any service contract with the Bank that is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or Supervisors have any interest in businesses that compete with the business of the Bank.

CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the "Corporate Governance Report". In addition, the Bank's environmental policies are discussed in the "Social Responsibility Report". The Company will publish its 2021 Environmental, Social and Governance Report in May 2022. For more details, please visit the Bank's website at www.shengjingbank.com.cn.

RELATED PARTY TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the certain connected transactions of the Bank during the Reporting Period can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.



REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in Note 37 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them constitute any discloseable connected transaction as defined under the Listing Rules.

REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the guidance of the relevant policies of the PRC, the Bank continues to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The remuneration structure implemented by the Bank consists of basic salary, performance bonus and other benefits. The Bank makes contributions to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.

PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the date of this announcement, the Bank has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited regarding the public float.

AUDITORS AND REVIEW OF ANNUAL RESULTS

KPMG and KPMG Huazhen LLP were appointed as the international and domestic auditors of the Bank for 2021, respectively.

KPMG has audited the Bank’s financial report for 2021 prepared according to the International Financial Reporting Standards and issued an auditor’s report with no qualified opinions. The audit committee of the Bank has reviewed the results and financial reports for the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance coverage for directors’ and officers’ liabilities in respect of potential legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in accordance with the Corporate Governance Standards for Banking or Insurance Institutions, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of Association of the Bank, carried out in-depth special supervision and research on the basis of its daily performance of duties on supervision, made independent, objective and factual supervisory comments and recommendations, and promoted the implementation of rectification of problems, thus playing a supervisory role in corporate governance and business development.

I. REPORT ON MAJOR WORK

Convening of meetings of the Board of Supervisors in a timely manner. In 2021, the Bank convened five meetings of the Board of Supervisors and three meetings of special committees, listened to and considered 81 resolutions. The matters being listened to and considered included key tasks such as development planning, financial management, internal control, risk management, equity transfer, asset disposal, remuneration reform, senior management appraisal, authorisation management, as well as the Board of Supervisors' research report on the operation of 12 branches in the province, the research report on Changchun Branch and special supervision reports, maintaining the comprehensiveness and independence of the supervision of the Board of Supervisors.

Enhancing the supervisory function of the Board of Supervisors. Firstly, the Board of Supervisors promoted the institutional development of the Board of Supervisors, formulated the Implementation Measures for Supervision and Inspection by the Board of Supervisors, standardised the working methods and processes supervision and inspection by the Board of Supervisors, and promoted the effective exercise of the Board of Supervisors' supervisory functions. Secondly, the Board of Supervisors optimised its access to information to gain an in-depth understanding of the conception and implementation process of major business decisions, by way of delegating Supervisors or staff of the office to attend the meetings of the Party Committee, the Shareholders' General Meetings, the Board of Directors, as well as important meetings of senior management such as the President's general meetings and the business analysis meetings. Thirdly, the Board of Supervisors compiled the "Work Update of the Board of Supervisors" on a regular basis, which includes the latest regulatory policies, key industry news and the promotion of key work of the whole Bank and the Board of Supervisors, so as to facilitate the Supervisors to have a comprehensive understanding of the Bank's operation and management and effectively perform their supervisory functions.

Supervision on the performance of duties of Directors and Supervisor. Based on the information on the duty performance of Directors and Supervisors in attending meetings, working research, expressing opinions and coordinating major matters, as well as the senior management's business performance, faithful and diligent performance of duties and risk compliance management, the Board of Supervisors organized to carry out the evaluation of the duty performance of Directors, Supervisors and the senior management, put forward the evaluation opinions and conclusions from the perspective of the Board of Supervisors, and kept all Directors, Supervisors and senior management informed, and reported to the regulatory authorities and the Shareholders' General Meetings in a timely manner.



REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

Intensifying special supervision and inspection. In 2021, the Board of Supervisors carried out special supervisions on the implementation of regulatory advice, the implementation of development strategies and the conduct of business activities. Firstly, the Board of Supervisors summarised and collated the supervisory observations made by the CBIRC and its dispatching agencies on the Bank throughout the year, focusing on the implementation of the Bank's rectification in response to the supervisory observations in order to point out problems and make suggestions. Secondly, on the basis of making references to information such as strategic planning outlines and financial budget reports, the Board of Supervisors assessed the development strategy in terms of its scientificity, rationality and effectiveness, and made supervisory comments and recommendations. Thirdly, the Board of Supervisors continuously followed up on the operation and management situation, with an emphasis on the operation indicators, customer marketing, credit structure, asset disposal and team building, etc., and accessed to relevant documents and information on a quarterly basis prior to the issue of special supervision reports.

Increasing the breadth and depth of research. In 2021, the Board of Supervisors conducted both off-site and on-site research that involved 13 branch institutions. First, it carried out on-site research on Changchun Branch by visiting the branch's business department and branch outlets, listening to the report on the overall operation and management of the branch, issued the "Research Report on Changchun Branch by the Board of Supervisors" and put forward targeted supervisory opinions. Second, off-site research was conducted on 12 branches in the province, including Anshan, Panjin, Yingkou and Huludao, with a focus on the customer structure, product system, disposal of problematic assets, assessment and incentive, compliance management and team building of the 12 branches, prepared the "Research Report by the Board of Supervisors on the Operation of Twelve Branches in the Province" and the "Summary of the the Board of Supervisors 's Feedback on the Issues and Suggestions of Twelve Branches in the Province", and made supervisory opinions and suggestions which were implemented under the supervision later in order to enhance the effectiveness and continuity of the supervision by the Board of Supervisors.

REPORT OF THE BOARD OF SUPERVISORS (CONTINUED)

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

1. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Board of Directors and senior management of the Bank, pursuant to the Company Law, Corporate Governance Standards for Banking or Insurance Institutions, the provisions of the Bank's Articles of Association and regulatory requirements, performed their duties and responsibilities, took charge of their work and tackled difficulties, formulated and implemented practical measures, pushed forward the reform and development and strategic transformation, thus achieving significant results that make it possible to unlock a new period of operation and development for Shengjing Bank.

2. Truthfulness of Financial Report of the Bank

During the Reporting Period, the Bank prepared the 2021 financial report according to the International Accounting Standards and relevant provisions of the Listing Rules, which was audited by KPMG and a standard unqualified audit report was issued. The audit report gave a true, accurate and complete view of the financial position and operating results of the Bank.

3. Related-party Transactions

During the Reporting Period, the Bank's related-party transactions were fairly and reasonably priced and were not detrimental to the interests of the Shareholders or the benefits of the Bank.

4. Acquisition and Disposal of Assets by the Bank

During the Reporting Period, no insider trading nor activities that may damage the shareholders' rights and interests or cause a loss of assets has been identified in respect of any material acquisition or disposal of assets.

5. Internal Control

During the Reporting Period, the Bank adhered to the concept of compliance, strictly put regulatory requirements in place and continuously strengthened risk management and internal controls. The Board of Supervisors was not aware of any material defect in the design or implementation of the Bank's internal control system.

6. Implementation of the Resolutions of Shareholders' General Meetings

During the Reporting Period, the Board of Supervisors of the Bank had no objection to any resolution or report submitted by the Board of Directors to the shareholders' general meetings in 2021, and the Board of Directors and the senior management had duly implemented the resolutions of the shareholders' general meetings.



SOCIAL RESPONSIBILITY REPORT

During the Reporting Period, the Bank focused on the strategic vision of “building a sound bank”, adhered to the market positioning of “serving the local economy, serving the small and micro businesses, as well as serving urban and rural residents”. Relying on the institutional mechanism and decision-making advantages of the headquarter of the Bank, the Bank actively assumed the social responsibility of the enterprise and took serving economic and social development as the starting point and stance while maintaining its own steady development. The Bank actively coordinated with provincial and municipal major strategies and decision-making arrangements, continued to improve the ability of serving the real economy, committed to focusing on inclusive financial services, and made an extraordinary achievement in practicing social responsibility of financial enterprises.

I. FULLY SUPPORTING THE DEVELOPMENT OF REGIONAL ECONOMY TO INJECT FINANCIAL MOMENTUM INTO THE DEVELOPMENT OF REAL ECONOMY

The Bank strongly supported the major national development strategy, supported regional economic development, constantly optimized the investment of credit fund, and strengthened support to the top ten preferred industries, provided enterprises with diversified and customized financial services including cash management, transaction settlement, supply chain finance, investment and financing. The Bank actively participated in the “Liaoning-Yangtze River Delta Investment Promotion Week” activities and the “2021 Liaoning International Investment and Trade Fair”.

The Bank gave full play to the role of the main force of regional finance, fully supported the reform of state-owned enterprises, actively promoted the reform and reorganization of enterprises, helped enterprises improve their operation, and assisted enterprises to transform and upgrade.

The Bank has conscientiously implemented various inclusive financial policies, set up inclusive financial counters, and continued to increase the inclusive credit investment with the business growth rate hitting record high. The Bank vigorously developed supply chain finance, provided accurate plans for private and small and micro enterprises, helped “time-honored enterprise”, supported “raw material-related enterprises”, empowered “new enterprises”, and activated regional economic vitality.

SOCIAL RESPONSIBILITY REPORT (CONTINUED)

II. FURTHER PROMOTING THE OPTIMIZATION AND UPGRADING OF CUSTOMER SERVICES TO STIMULATE THE UNIQUE EFFICIENCY OF INTELLIGENT FINANCE

The Bank deeply promoted financial support in the area of people's livelihood, and continued to increase financial investment in basic industries for people's livelihood such as water, electricity, gas, heating, as well as public service sectors such as healthcare and education.

The Bank adhered to a customer-oriented approach, continuously promoted the upgrading of customer service, and continuously optimized mobile banking services and value-added functions, so that customers can enjoy safe, convenient and efficient financial services anytime and anywhere; the Bank put in place a total of 1,852 self-service terminals, so that more customers can experience intelligent financial services with "zero distance" : the Bank insisted on waiving of more than 20 items of fees, such as card activating fee, cost fee, annual fee, small account management fee, etc.; provided various convenient payment and living services to the society through mobile banking, opening nearly 300 convenient payment services in 21 categories, such as water, electricity, gas, cable television, communications, social security, medical care, education, property, penalties payment and heating, as well as insurance and wealth management, healthcare and other convenient medical services.

III. INNOVATING GREEN FINANCIAL SERVICES TO PROMOTE THE CONSTRUCTION OF ECOLOGICAL CIVILIZATION

The Bank thoroughly implemented the national strategy for the development of green credit, incorporated the concept of green environmental protection through various operation and management activities, created an effective green credit management system, and increased credit investment in low-carbon economy, increased support to enterprises and projects that meet the national requirements for energy conservation, emission reduction and environmental protection, and invested credit fund in green industries such as environmental protection, energy conservation, clean energy, clean transportation, etc. Meanwhile, strict restrictions were imposed on enterprises and projects with high energy consumption, high pollution and resource consumption, strengthened tracking and judgement on changes of market and production and operation of industries with excess capacity. There were no major environmental and social risk accidents throughout the year, which vigorously promoted the development of local green economy, circular economy and low-carbon economy.



SOCIAL RESPONSIBILITY REPORT (CONTINUED)

IV. PAYING TAXES ACTIVELY TO BRING WARMTH TO HOUSEHOLDS

During the Reporting Period, the Bank made various tax payment of RMB4.557 billion, of which RMB3.602 billion was paid in Shenyang area, fully supporting and promoting the development of enterprises in the region with continuous growth of tax contribution.

The Bank implemented the poverty alleviation policies designated by the municipal Party Committee and the municipal government, invested RMB120,000 in Zhoutuozi, Xinmin City, and completed the renovation of warm houses for poor households. The Bank donated to the family members of provincial and municipal police officers who died on duty, and police officers who were injured or disabled on duty, and police officers with serious illness or financial difficulties, veteran care foundation of provincial department of veterans affairs, the Shenyang welfare foundation for the disabled, and representatives of courageous acts of the municipal political and law commission. During the Reporting Period, Shengjing Bank donated RMB5.36 million to public welfare charity projects and designated poverty alleviation units.

V. BUILDING A TEAM OF HIGH-QUALITY TALENTS TO ENHANCE THE COHESION

The Bank deeply implemented the strategy of “developing the Bank through talents”, adhered to the employment principle of “openness, equality, competition and selecting by merit”, supplemented and absorbed outstanding and high-quality talents, and was committed to creating a harmonious, healthy and positive working environment for its staff, providing outstanding talents with stages and opportunities to demonstrate their talents and enhance their ability and value; the Bank paid attention to the all-round development of the staff, organized a series of activities on the theme of “living a colorful life with love to the Bank and homes”, carried out fitness activities such as walking for health, mountain-climbing, hiking, cycling, etc., and held competitions such as keynote speeches, art, calligraphy, photography, etc.

VI. BUILDING A LONG-TERM MECHANISM FOR THE PROTECTION OF CONSUMERS’ RIGHTS TO PROTECT THE SECURITY OF CITIZENS’ WEALTH

The Bank integrated protection of consumers’ rights into corporate governance and development planning. In the amended Articles of Association of Shengjing Bank Co., Ltd., the Bank further clarified the responsibilities of the Board, Risk Control and Consumer Rights Protection Committee and senior management to ensure the effective implementation of strategic objectives and policies for the protection of consumers’ rights and interests; strengthened the strategic leadership of consumer rights protection work, set up the concept of consumer rights protection, fully improved the quality and efficiency of consumer rights protection work and listed them into the strategic plan. The Bank actively carried out publicity and education activities of financial knowledge, organized and carried out eight publicity activities such as Consumer Rights and Interests Protection Education Week, “Right and Responsibility Risk – Financial Consumers’ Rights and Interests Day” and “Four In-depth and Full Coverage (四深入全覆盖)”, and spontaneously carried out two publicity and education activities with 1.62 million consumers participating in, which effectively enhanced financial consumers’ awareness of risk responsibility and risk management ability.

INTERNAL CONTROL

The objectives of the Bank's internal control are to reasonably guarantee the legality and compliance of its operation and management, the effectiveness of asset safety and risk management, and the authenticity and integrity of relevant information, to improve the operation efficiency and effect, and to promote the implementation of its development strategies.

During the Reporting Period, the Bank continuously strengthened the comprehensive risk internal control and management, formulated the Action Plan of Shengjing Bank on Strengthening Comprehensive Risk Management and Internal Control Compliance (2021–2023) as the Bank's action guide for internal risk control and compliance in the next three years. The Bank adhered to the overall principle of "stability, standard, efficiency and law compliance", continued to strengthen comprehensive risk management focusing on credit risk management, and continued to strengthen internal control management focusing on system and authorization to provide a solid guarantee for improving the efficiency risk management. Firstly, the Bank continuously improved its internal control system, standardized the system management process to form the overall management mechanism of the system, clearly defined the full-cycle management requirements with "determination, learning, use and inspection" as the core, and strengthened the rigid binding force of the system, established an evaluation and re-inspection mechanism for the stock system, realized the dynamic maintenance and management of the system, and used the system to manage the system in order to provide a strong guarantee for the operation and development of the Bank. Secondly, the Bank improved the supervision function of internal audit. The Bank further clarified the functions and positioning of audit work, constantly optimized the audit work procedures, expanded the depth and breadth of audit based on the requirements of external regulatory requirements and the main risk points underlying the operation and management of the Bank, promoted the transformation of audit results, and gave full play to the supervision function of internal audit. Thirdly, the Bank built a full closed-loop problem rectification mechanism. The Bank complied with regulatory requirements, in accordance with the principle of "quantifiable, enforceable, practicable and assessable", comprehensively promoted rectification and reform, accurately understood and grasped the guidance of supervision, and consolidated the responsibility for rectification and reform, created a full closed-loop governance mechanism of "revealing problems – implementing rectification – warning accountability – verifying effectiveness – improving management". Fourthly, the Bank carried out the construction year of internal control and compliance management. The Bank carried out self-inspection and rectification work based on the ten main points of work, such as improving the internal control compliance governance structure, improving the system and procedures system, and managing key personnel in important positions, effectively promoted rectification of the sources of problems, and carried out centralized rectification of repeated problems, effectively reduced the incidence of repeated violations, and the incidence of problems in 2021 was significantly lower than that in 2020.



INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 140 to 288, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for 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.

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortised cost, the credit grading process and the measurement provisions for impairment;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;



INDEPENDENT AUDITOR'S REPORT

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held a collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired into the Group's revisions to estimates and input parameters, compared with prior period. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

We identified the impairment of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis.
- evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;



INDEPENDENT AUDITOR'S REPORT

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- for selected samples of loans and financial investments measured at amortised cost that are credit impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows challenged the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively.
- evaluating whether the disclosures on impairment of loans and financial investments measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to note 20(a) and 20(b) to the consolidated financial statements and the accounting policies in note 40.

The Key Audit Matter

Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from active market readily available data. For level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively.

The Group has developed its own models to value certain financial instruments, which also involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;
- performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to revalue;
- assessing whether the disclosures in the consolidated financial statements with reference to the requirements of the related financial reporting standards, and appropriately reflected the Group's exposure to financial instrument valuation risk.



INDEPENDENT AUDITOR'S REPORT

CONSOLIDATION OF STRUCTURED ENTITIES

Refer to note 42 and 43 to the consolidated financial statements and the accounting policies in note 46(f).

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
 - reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
 - reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
 - assessing management's judgement over whether the structured entity should be consolidated or not;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank 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 of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



INDEPENDENT AUDITOR'S REPORT

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

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

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

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



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (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 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 Wong Yuen Shan.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2022



Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2021	2020
Interest income		40,915,676	42,533,959
Interest expense		(28,528,067)	(27,975,598)
Net interest income	3	12,387,609	14,558,361
Fee and commission income		1,060,026	1,574,218
Fee and commission expense		(630,556)	(885,340)
Net fee and commission income	4	429,470	688,878
Net trading losses	5	(708,318)	(732,922)
Net gains arising from investments	6	3,293,256	1,592,197
Other operating income	7	64,594	160,299
Operating income		15,466,611	16,266,813
Operating expenses	8	(5,855,054)	(5,050,086)
Impairment losses on assets	11	(9,507,962)	(10,625,363)
Profit before taxation		103,595	591,364
Income tax expense	12	327,288	640,577
Profit for the year		430,883	1,231,941
Net profit attributable to:			
Equity shareholders of the Bank		401,961	1,203,777
Non-controlling interests		28,922	28,164
		430,883	1,231,941

The notes on pages 148 to 288 form part of these financial statements.

	Note	2021	2020
Profit for the year		430,883	1,231,941
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(7,990)	3,338
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	34(d)	(20,122)	(310,977)
Items that may be reclassified subsequently to profit or loss			
– Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	34(d)	(163,075)	(722,511)
– net movement in the provision reserve	34(e)	216,696	637,217
Other comprehensive income net of tax		25,509	(392,933)
Total comprehensive income		456,392	839,008
Total comprehensive income attributable to:			
Equity shareholders of the Bank		427,470	810,844
Non-controlling interests		28,922	28,164
		456,392	839,008
Basic and diluted earnings per share (<i>in RMB</i>)	13	0.05	0.14

The notes on pages 148 to 288 form part of these financial statements.



Consolidated statement of financial position

As at 31 December 2021

(Expressed in thousands of RMB, unless otherwise stated)

	Note	31 December 2021	31 December 2020
Assets			
Cash and deposits with central bank	14	72,330,736	78,505,916
Deposits with banks and other financial institutions	15	8,842,567	15,194,344
Placements with banks and other financial institutions	16	1,250,301	4,350,087
Derivative financial assets	17	574,444	1,104,872
Financial assets held under resale agreements	18	2,261,877	22,119,345
Loans and advances to customers	19	583,443,518	534,687,227
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	93,378,132	100,939,472
Financial assets at fair value through other comprehensive income	20(b)	34,165,805	27,878,398
Financial assets measured at amortised cost	20(c)	184,456,811	229,227,082
Property and equipment	22	5,376,309	5,699,770
Deferred tax assets	23	7,289,160	5,523,279
Other assets	24	12,756,593	12,728,583
Total assets		1,006,126,253	1,037,958,375
Liabilities			
Borrowings from central bank	25	1,631,922	2,815,363
Deposits from banks and other financial institutions	26	59,942,166	90,792,706
Placements from banks and other financial institutions	27	581,595	4,984,505
Financial liabilities at fair value through profit or loss		6,504,990	21,494,042
Derivative financial liabilities	17	564,291	768,469
Financial assets sold under repurchase agreements	28	89,271,137	89,672,253
Deposits from customers	29	754,880,674	697,363,902
Income tax payable		804,983	1,261,425
Debt securities issued	30	8,427,431	45,262,637
Other liabilities	31	3,014,123	3,496,524
Total liabilities		925,623,312	957,911,826

The notes on pages 148 to 288 form part of these financial statements.

	<i>Note</i>	31 December 2021	31 December 2020
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34(a)	26,931,360	26,931,360
Surplus reserve	34(b)	7,319,347	7,283,589
General reserve	34(c)	14,013,554	13,676,444
Fair value reserve	34(d)	(816,706)	(633,509)
Provision reserve	34(e)	862,128	645,432
Deficit on remeasurement of net defined benefit liability	34(f)	(24,638)	(16,648)
Retained earnings	34(g)	22,797,677	22,768,584
Total equity attributable to equity shareholders of the Bank		79,879,402	79,451,932
Non-controlling interests		623,539	594,617
Total equity		80,502,941	80,046,549
Total liabilities and equity		1,006,126,253	1,037,958,375

Approved and authorised for issue by the board of directors on 30 March 2022.

Qiu Huofa

Chairman of Board of Directors

Shen Guoyong

President

Bao Hong

Chief Financial Officer

Company chop

The notes on pages 148 to 288 form part of these financial statements.



Consolidated statement of changes in equity

For the year ended 31 December 2021

(Expressed in thousands of RMB, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank							Total	Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability				Retained earnings
Balance at 1 January 2021		8,796,680	26,931,360	7,283,589	13,676,444	(633,509)	645,432	(16,648)	22,768,584	79,451,932	594,617	80,046,549
Profit for the year		-	-	-	-	-	-	-	401,961	401,961	28,922	430,883
Other comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	-	25,509	-	25,509
Total comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	401,961	427,470	28,922	456,392
Appropriation of profit:												
– Appropriation to surplus reserve	35	-	-	35,758	-	-	-	-	(35,758)	-	-	-
– Appropriation to general reserve (Note (i))	35	-	-	-	337,110	-	-	-	(337,110)	-	-	-
Subtotal		-	-	35,758	337,110	-	-	-	(372,868)	-	-	-
Balance at 31 December 2021		8,796,680	26,931,360	7,319,347	14,013,554	(816,706)	862,128	(24,638)	22,797,677	79,879,402	623,539	80,502,941

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB33.4 million.

The notes on pages 148 to 288 form part of these financial statements.

	Note	Attributable to equity shareholders of the Bank							Total	Non-controlling interests	Total equity	
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability				Retained earnings
Balance at 1 January 2020		8,796,680	26,931,360	7,166,927	13,398,535	399,979	8,215	(19,986)	21,873,822	78,555,532	566,453	79,121,985
Profit for the year		-	-	-	-	-	-	-	1,203,777	1,203,777	28,164	1,231,941
Other comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	-	(392,933)	-	(392,933)
Total comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	1,203,777	810,844	28,164	839,008
Appropriation of profit:												
– Appropriation to surplus reserve	35	-	-	116,662	-	-	-	-	(116,662)	-	-	-
– Appropriation to general reserve (Note (i))	35	-	-	-	277,909	-	-	-	(277,909)	-	-	-
Subtotal		-	-	116,662	277,909	-	-	-	(394,571)	-	-	-
Disposal of equity investment at fair value through other comprehensive income		-	-	-	-	-	-	-	85,556	85,556	-	85,556
Balance at 31 December 2020		8,796,680	26,931,360	7,283,589	13,676,444	(633,509)	645,432	(16,648)	22,768,584	79,451,932	594,617	80,046,549

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB130 thousand.

The notes on pages 148 to 288 form part of these financial statements.



Consolidated cash flow statement

For the year ended 31 December 2021

(Expressed in thousands of RMB, unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		103,595	591,364
<i>Adjustments for:</i>			
Impairment losses on assets		9,507,962	10,625,363
Depreciation and amortisation		598,913	612,756
Interest expense on leased assets		22,582	25,327
Net gains on unrealised foreign exchange		(19,820)	(381,364)
Disposal of long-term assets losses/(gains)		609	(137,030)
Dividend income		(83,062)	(1,440)
Net trading gains of financial assets at fair value through profit or loss		(105,300)	(136,100)
Net gains arising from investments		(3,122,502)	(1,392,139)
Interest expense on debt securities issued		1,349,523	2,840,974
Interest income on financial investments		(8,336,823)	(11,955,537)
		<u>(84,323)</u>	<u>692,174</u>
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with central bank		7,851,395	(7,041,007)
Net decrease/(increase) in deposits and placements with bank and other financial institutions		3,176,325	(1,892,549)
Net increase in loans and advances to customers		(39,116,546)	(90,047,529)
Net decrease in financial assets held under resale agreements		–	683,991
Net increase in other operating assets		(17,898,221)	(13,213,318)
		<u>(45,987,047)</u>	<u>(111,510,412)</u>
<i>Changes in operating liabilities</i>			
Net decrease in borrowings from central bank		(1,137,431)	(3,931,757)
Net decrease in deposits and placements from banks and other financial institutions		(35,044,235)	(7,616,819)
Net (decrease)/increase financial assets sold under repurchase agreements		(381,438)	29,567,592
Net increase in deposits from customers		55,628,195	39,976,556
Income tax paid		(1,903,537)	(966,200)
Net increase in other operating liabilities		1,297,802	2,895,480
		<u>18,459,356</u>	<u>59,924,852</u>
Net cash flows used in operating activities		<u>(27,612,014)</u>	<u>(50,893,386)</u>

The notes on pages 148 to 288 form part of these financial statements.

	Note	2021	2020
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		721,104,061	689,907,626
Proceeds from disposal of property and equipment and other assets		207	291,482
Payments on acquisition of investments		(679,518,462)	(625,327,672)
Payments on acquisition of property and equipment, intangible assets and other assets		(201,994)	(631,006)
Net cash flows generated from investing activities		<u>41,383,812</u>	<u>64,240,430</u>
Cash flows from financing			
Net proceeds from new debt securities issued	36(b)	17,981,120	135,328,820
Repayment of debt securities issued	36(b)	(54,486,369)	(171,035,029)
Interest paid on debt securities issued	36(b)	(1,679,480)	(2,865,182)
Dividends paid		–	(233,366)
Payment of lease liabilities		(165,748)	(189,148)
Net cash flows used in financing activities		<u>(38,350,477)</u>	<u>(38,993,905)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(339,275)</u>	<u>(465,358)</u>
Net decrease in cash and cash equivalents		(24,917,954)	(26,112,219)
Cash and cash equivalents as at 1 January		<u>49,207,489</u>	<u>75,319,708</u>
Cash and cash equivalents as at 31 December	36(a)	<u><u>24,289,535</u></u>	<u><u>49,207,489</u></u>
Net cash flows generated from/(used in) operating activities include:			
Interest received		<u>21,029,937</u>	<u>26,294,563</u>
Interest paid (excluding interest expense on debt securities issued)		<u>(25,475,124)</u>	<u>(22,995,313)</u>

The notes on pages 148 to 288 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No.149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No.103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the China Banking Regulatory Commission (the former “CBRC”) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the former CBRC Liaoning Branch. The Bank obtained its business license No. 91210100117809938P from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2021, the share capital of the Bank is RMB8,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2021. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the former CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance and basis of preparation (Continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2021 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 46.

The measurement basis used in the preparation of the financial statements is the historical cost basis, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).

(b) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The principal effects of new and revised IFRSs (including International Accounting Standards ("IASs")) are as follows:



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

The adoption has no material impact on the financial position and the financial result of the Group.

Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)

The group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The adoption will not have any material impact on the financial position and the financial result of the Group.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(n)), unless the investment is classified as held for sale.

(d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) **Recognition and initial measurement of financial assets and financial liabilities**

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) **Classification and subsequent measurement of financial assets**

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income ("FVOCI"), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss ("FVTPL").

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

- Financial assets at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

- Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

- Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) **Classification and subsequent measurement of financial assets (Continued)**

Subsequent measurement of financial assets (Continued)

- Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

(iii) **Classification and subsequent measurement of financial liabilities**

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

- Financial liabilities at FVTPL

The financial liabilities includes trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

- Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) *Classification and subsequent measurement of financial liabilities*

The financial guarantee contract liabilities is subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

- Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) Impairment

The Group recognises provision for expected credit loss on:

- Financial assets measured at amortised cost;
- Debt instruments at FVOCI; and
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the expected credit loss assessment.

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group's measurement of expected credit losses is described in Note 39(a).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) *Impairment (Continued)*

Presentation of provision for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the following conditions are met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vii) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(g) *Financial assets held under resale and repurchase agreements*

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(h) *Fair value measurement*

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(n)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(n)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20 – 30 years	3%	4.85% – 3.23%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5 – 10 years	0%	20.00% – 10.00%
Others	3 – 5 years	3%	32.33% – 19.40%

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 is applied to contracts entered into, or changed, on or after January 1, 2019.

(i) *Group acting as a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(i) *Group acting as a lessee*

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in 'other assets' and lease liabilities in 'other liabilities' in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(i) *Group acting as a lessee (Continued)*

Interest rate benchmark reform (policy applied from 1 January 2020)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(l) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(n)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software	5 – 10 years
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(m) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- intangible assets
- investments in subsidiaries and associates
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provision for impairment losses on non-financial assets

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(o) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(i) **Short term employee benefits and contributions to defined contribution retirement plans (Continued)**

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(ii) **Supplementary retirement benefits**

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial Guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(f)(v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(s) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

The specific accounting policies related to the revenue of Group's principal activities are described below:

(i) **Interest income**

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

(ii) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date;
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

(iii) *Other income*

Other income is recognised on an accrual basis.

(iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Expenses recognition

(i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) *Other expenses*

Other expenses are recognised on an accrual basis.

(u) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(v) Related parties

- (a) A person, or a close member of that person's family, is related to the group if 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 the group's parent.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities 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);
 - (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 group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) 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 NET INTEREST INCOME

	2021	2020
Interest income arising from		
Deposits with central bank	1,211,821	1,061,137
Deposits and placements with banks and other financial institutions	69,680	83,130
Loans and advances to customers		
– Corporate loans and advances	23,487,589	23,400,603
– Personal loans and advances	5,958,314	4,318,799
– Discounted bills	1,512,220	1,550,307
Financial assets held under resale agreements	339,229	164,446
Financial investments	8,336,823	11,955,537
	<u>40,915,676</u>	<u>42,533,959</u>
Subtotal	40,915,676	42,533,959
Interest expense arising from		
Borrowings from central bank	(128,758)	(180,385)
Deposits and placements from banks and other financial institutions	(2,176,860)	(3,666,431)
Deposits from customers	(23,049,452)	(18,880,432)
Financial assets sold under repurchase agreements	(1,823,474)	(2,407,376)
Debt securities issued	(1,349,523)	(2,840,974)
	<u>(28,528,067)</u>	<u>(27,975,598)</u>
Subtotal	(28,528,067)	(27,975,598)
Net interest income	<u>12,387,609</u>	<u>14,558,361</u>

Note:

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income		
Agency and custody services fees	802,285	1,342,412
Settlement and clearing services fees	83,790	78,955
Bank card services fees	173,951	152,851
Subtotal	1,060,026	1,574,218
Fee and commission expense	(630,556)	(885,340)
Net fee and commission income	429,470	688,878

5 NET TRADING LOSSES

	2021	2020
Net gains/(losses) from debt securities	10,289	(8,145)
Net losses from derivatives and others	(342,209)	(654,597)
Net foreign exchange losses	(376,398)	(70,180)
Total	(708,318)	(732,922)

6 NET GAINS ARISING FROM INVESTMENTS

	2021	2020
Net gains on disposal of financial assets measured at amortised cost	2,601,928	73,825
Net gains on disposal of financial assets at fair value through other comprehensive income	234,762	45,247
Net gains on financial assets at fair value through profit or loss	373,504	1,471,685
Dividends from designated as financial assets at fair value through other comprehensive income	83,062	1,440
Total	3,293,256	1,592,197

7 OTHER OPERATING INCOME

	2021	2020
Net gains on disposal of property and equipment	32,558	137,030
Rental income	12,227	9,664
Government grants	11,361	10,526
Handling charge income	292	441
Others	8,156	2,638
Total	<u>64,594</u>	<u>160,299</u>

8 OPERATING EXPENSES

	2021	2020
Staff costs		
– Salaries, bonuses and allowances	2,258,812	2,327,877
– Pension and annuity	243,605	36,937
– Other social insurance	249,243	192,900
– Housing allowances	152,814	127,978
– Supplementary retirement benefits	4,423	6,344
– Others	169,129	140,304
Subtotal	<u>3,078,026</u>	<u>2,832,340</u>
Office expenses	458,559	356,101
Depreciation and amortisation	450,360	439,518
Tax and surcharges	247,589	209,870
Depreciation of the right-of-use assets	148,553	173,238
Rental and property management expenses	129,994	113,692
Interest expense of the lease liability	22,582	25,327
Other general and administrative expenses (Note(a))	1,319,391	900,000
Total	<u>5,855,054</u>	<u>5,050,086</u>

Note:

- (a) Auditor's remunerations were RMB6.50 million for the year ended 31 December 2021 (2020: RMB6.50 million).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	2021						
	Fees	Salaries	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
Executive directors							
Qiu Huofa	–	2,238	892	–	3,130	383	2,747
Shen Guoyong <i>(Note (a))</i>	–	1,802	1,338	113	3,253	575	2,678
Zhang Jun <i>(Note (a))</i>	–	1,497	1,128	114	2,739	474	2,265
Shi Yang <i>(Note (a))</i>	–	1,208	2,724	94	4,026	1,090	2,936
Li Ying <i>(Note (a))</i>	–	1,497	1,078	114	2,689	453	2,236
Non-executive directors							
Su Qingxiang <i>(Note (a))</i>	–	–	–	–	–	–	–
Liang Zhifang <i>(Note (a))</i>	–	–	–	–	–	–	–
Zhu Jialin <i>(Note (a))</i>	20	–	–	–	20	–	20
Ji Kun <i>(Note (a))</i>	20	–	–	–	20	–	20
Independent non-executive directors							
Ni Guoju	–	216	20	–	236	–	236
KEUNG Chak	–	216	20	–	236	–	236
TAI Kwok Leung	–	216	20	–	236	–	236
Xing Tiancai	–	216	20	–	236	–	236
Li Jinyi	–	216	20	–	236	–	236
Supervisors							
Yu Xiaolong <i>(Note (c))</i>	–	996	2,276	114	3,386	910	2,476
Niu Jiao <i>(Note (c))</i>	–	720	2,565	94	3,379	1,026	2,353
Xu Li <i>(Note (c))</i>	–	669	1,216	68	1,953	487	1,466
Han Li <i>(Note (a))</i>	–	651	60	94	805	26	779
YUEN Wing Shing <i>(Note (a))</i>	20	–	–	–	20	–	20
Pan Wenge	20	–	–	–	20	–	20
Ba Junyu	–	216	20	–	236	–	236
Sun Hang	–	216	20	–	236	–	236
Cheng Hua <i>(Note (a))</i>	–	216	20	–	236	–	236
Total	80	13,006	13,437	805	27,328	5,424	21,904



9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	2020						
	Fees	Salaries	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
Executive directors							
Qiu Huofa		2,229	1,238	47	3,514	380	3,134
Shen Guoyong (Note (a))		1,633	2,032	116	3,781	133	3,648
Zhang Jun (Note (a))		1,481	1,699	116	3,296	302	2,994
Shi Yang (Note (a))		1,167	3,534	97	4,798	628	4,170
Li Ying (Note (a))		1,111	1,949	105	3,165	346	2,819
Zhang Qiang (Note (b))		186	689	13	888	45	843
Wang Yigong (Note (a))		1,482	1,764	97	3,343	314	3,029
Wu Gang (Note (a))		1,002	1,655	96	2,753	197	2,556
Non-executive directors							
Su Qingxiang (Note (a))	5	–	–	–	5	–	5
Liang Zhifang (Note (a))	5	–	–	–	5	–	5
Zhu Jialin (Note (a))	5	–	–	–	5	–	5
Jiang Liming (Note (a))	5	–	–	–	5	–	5
Ji Kun (Note (b))	5	–	–	–	5	–	5
Zhang Qiyang (Note (a))	35	–	–	–	35	–	35
Li Jianwei (Note (a))	35	–	–	–	35	–	35
Zhao Weiqing (Note (a))	20	–	–	–	20	–	20
Liu Yanxue (Note (a))	35	–	100	–	135	–	135
YUEN Wing Shing (Note (a))	35	–	–	–	35	–	35
Independent non-executive directors							
Ni Guoju		216	35	–	251	–	251
KEUNG Chak		216	35	–	251	–	251
TAI Kwok Leung		216	25	–	241	–	241
Xing Tiancai		216	35	–	251	–	251
Li Jinyi		216	35	–	251	–	251
Supervisors							
Yu Xiaolong (Note (c))	–	909	2,297	44	3,250	232	3,018
Niu Jiao (Note (c))	–	595	2,566	76	3,237	259	2,978
Xu Li (Note (c))	–	342	831	22	1,195	84	1,111
Yang Liya (Note (c))	–	1,145	1,947	116	3,208	214	2,994
Wang Lijun (Note (c))	–	268	571	44	883	86	797
Han Li (Note (c))	–	804	85	97	986	9	977
Pan Wenge	30	–	–	–	30	–	30
Liu Huidi (Note (c))	25	–	–	–	25	–	25
Yu Haobo (Note (c))	15	–	–	–	15	–	15
Ba Junyu	–	216	30	–	246	–	246
Sun Hang	–	216	30	–	246	–	246
Cheng Hua (Note (c))	–	36	5	–	41	–	41
Dai Qiang (Note (c))	–	198	25	–	223	–	223
Total	255	16,100	23,212	1,086	40,653	3,229	37,424



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (a) At the Bank's 2020 first Extraordinary Shareholders' Meeting on 20 October 2020, Shen Guoyong, Zhang Jun, Shi Yang and Li Ying was elected as executive directors of the Bank; Wang Yigong and Wu Gang are no longer executive directors of the bank; Su Qingxiang, Liang Zhifang, Zhu Jialin, Jiang Liming and Ji Kun were elected as non-executive directors of the Bank, Zhang Qiyang, Li Yuguo, Li Jianwei, Zhao Weiqing, Liu Yanxue and YUEN Wing Shing no longer served as non-executive directors of the Bank; Han Li, YUEN Wing Shing and Cheng Hua were elected as supervisors of the Bank. Liu Huidi, Yu Haobo and Dai Qiang no longer served as supervisors of the Bank.
- (b) At 17 January 2020, Zhang Qiang resigned as president of the bank.
- (c) At the Bank's Staff Congress on October 19, 2020. Yu Xiaolong, Niu Jiao and Xu Li were elected as staff supervisors. Yang Liya, Shi Yang and Wang Lijun no longer served as staff supervisors of the bank.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2021, the five individuals with highest emoluments included 1 (2020: 1) director and 0 (2020: 0) supervisor of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the 4 (2020: 4) non-director and non-supervisor highest paid individuals for the year ended 31 December 2021 are as follows:

	2021	2020
Salaries and other emoluments	2,899	2,711
Discretionary bonuses	15,586	20,997
Contributions to pension schemes	334	419
Total	18,819	24,127

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2021	2020
RMB4,000,001 – 4,500,000	1	–
RMB4,500,001 – 5,000,000	2	–
RMB5,000,001 – 5,500,000	1	1
RMB6,000,001 – 6,500,000	–	3
Total	4	4

11 IMPAIRMENT LOSSES ON ASSETS

	2021	2020
Loans and advances to customers	6,948,475	8,328,608
Financial investments	1,252,838	2,029,066
Deposits and placements with banks and other financial institutions	(492,893)	516,665
Financial assets held under resale agreements	(2,643)	(902)
Credit commitment	60,257	(239,829)
Others	1,741,928	(8,245)
Total	<u>9,507,962</u>	<u>10,625,363</u>

12 INCOME TAX EXPENSE

(a) Income tax for the year:

	2021	2020
Current tax	1,447,095	622,149
Deferred tax	<u>(1,774,383)</u>	<u>(1,262,726)</u>
Total	<u>(327,288)</u>	<u>(640,577)</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***12 INCOME TAX EXPENSE****(b) Reconciliations between income tax and accounting profit are as follows:**

	<i>Note</i>	2021	2020
Profit before taxation		103,595	591,364
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		25,899	147,841
Non-deductible expenses			
– Impairment losses and write-offs		297,000	–
– Entertainment expenses		7,141	6,735
– Others		8,756	5,855
		312,897	12,590
Non-taxable income	12(b)(i)	(683,675)	(801,008)
Adjustments for prior years		17,591	–
Income tax		(327,288)	(640,577)

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.



13 BASIC AND DILUTED EARNINGS PER SHARE

	2021	2020
Net profit attributable to equity shareholders of the Bank	401,961	1,203,777
Weighted average number of ordinary shares (in thousands)	8,796,680	8,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank (<i>in RMB</i>)	0.05	0.14

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2021	2020
Number of ordinary shares as at 1 January	8,796,680	8,796,680
Increase in weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	8,796,680	8,796,680

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2021	31 December 2020
Cash on hand		914,758	1,152,427
Deposits with central bank			
– Statutory deposit reserves	14(a)	60,043,992	68,050,865
– Surplus deposit reserves	14(b)	10,992,499	9,074,637
– Fiscal deposits		348,629	193,151
Subtotal		71,385,120	77,318,653
Add: interest receivable		30,858	34,836
Total		72,330,736	78,505,916



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

14 CASH AND DEPOSITS WITH CENTRAL BANK(CONTINUED)

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2021	31 December 2020
Reserve ratio for RMB deposits	8.0%	10.5%
Reserve ratio for foreign currency deposits	9.0%	5.0%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
Deposits in mainland China		
– Banks	5,823,036	11,302,838
– Other financial institutions	265,011	609,882
Deposits outside mainland China		
– Banks	2,752,095	3,742,600
Subtotal	8,840,142	15,655,320
Add: interest receivable	4,038	33,265
Less: provision for impairment losses	(1,613)	(494,241)
Total	8,842,567	15,194,344

(b) Movements of provision for impairment losses

	2021	2020
As at 1 January	494,241	126,421
Net (release)/charge for the year	(492,628)	367,820
As at 31 December	1,613	494,241

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS****(a) Analysed by type and location of counterparty**

	31 December 2021	31 December 2020
Placements in mainland China		
– Banks	–	3,000,000
– Other financial institutions	1,400,000	1,500,000
Subtotal	1,400,000	4,500,000
Add: interest receivable	578	629
Less: provision for impairment losses	(150,277)	(150,542)
Total	1,250,301	4,350,087

(b) Movements of provision for impairment losses

	2021	2020
As at 1 January	150,542	1,697
Net (release)/charge for the year	(265)	148,845
As at 31 December	150,277	150,542

17 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

(a) Analysed by nature of contract

	31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Option contracts	338,644,614	122,449	(94,276)
Interest rate swaps	49,280,000	438,971	(409,283)
Precious metal derivatives	6,586,619	13,024	(60,732)
Total	394,511,233	574,444	(564,291)

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Option contracts	144,648,830	134,111	(103,742)
Interest rate swaps	53,008,000	399,295	(360,527)
Precious metal derivatives	21,435,335	552,009	(65,056)
Currency swaps	6,279,113	14,143	(235,897)
Foreign exchange forwards	769,938	5,314	(3,247)
Total	226,141,216	1,104,872	(768,469)

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****(b) Analysed by credit risk-weighted amount**

	31 December 2021	31 December 2020
Option contracts	846,612	361,622
Precious metal derivatives	16,466	53,588
Currency swaps	–	15,698
Foreign exchange forwards	–	7,699
Total	<u>863,078</u>	<u>438,607</u>

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**(a) Analysed by type and location of counterparty**

	31 December 2021	31 December 2020
In mainland China		
– Banks	2,262,136	13,077,170
– Other financial institutions	–	9,044,260
Subtotal	2,262,136	22,121,430
Add: interest receivable	16	833
Less: provision for impairment losses	(275)	(2,918)
Total	<u>2,261,877</u>	<u>22,119,345</u>

(b) Analysed by type of security held

	31 December 2021	31 December 2020
Debt securities held under resale agreements	270,000	20,755,672
Bill held under resale agreements	1,992,136	1,365,758
Add: interest receivable	16	833
Less: provision for impairment losses	(275)	(2,918)
Total	<u>2,261,877</u>	<u>22,119,345</u>

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(c) Movements of provision for impairment losses

	2021	2020
As at 1 January	2,918	3,820
Net release charge for the year	(2,643)	(902)
As at 31 December	275	2,918

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2021	31 December 2020
Measured at amortised cost:		
Corporate loans and advances	405,257,641	420,984,496
Personal loans and advances		
– Residential mortgage	57,516,140	48,276,811
– Personal consumption loans	28,329,721	20,672,637
– Personal business loans	7,542,819	1,920,977
– Credit cards	7,335,915	6,572,422
– Others	458	15,320
Subtotal	100,725,053	77,458,167
Gross loans and advances to customers measured at amortised cost	505,982,694	498,442,663
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	14,879,025	10,216,470
– Discounted bills	65,170,949	38,403,424
Gross loans and advances to customers measured at fair value through other comprehensive income	80,049,974	48,619,894
Gross loans and advances to customers	586,032,668	547,062,557
Add: interest receivable	22,082,972	7,960,458
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(24,672,122)	(20,335,788)
Net loans and advances to customers	583,443,518	534,687,227



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) Analysed by nature (Continued)

As at 31 December 2021, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB451.64 million (31 December 2020: RMB217.72 million), as detailed in Note 19(f).

(b) Analysed by economic sector

	31 December 2021		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	150,601,899	26%	69,025,486
Renting and business activities	100,283,745	17%	53,071,003
Real estate	69,734,707	12%	39,563,951
Manufacturing	39,005,576	7%	7,104,668
Construction	28,848,272	5%	19,849,802
Transportation, storage and postal services	8,304,991	1%	404,532
Production and supply of electricity, heat, gas and water	3,337,573	1%	522,664
Accommodation and catering	2,945,073	1%	2,238,034
Mining	2,139,442	0%	113,597
Culture, sports and entertainment	1,078,195	0%	148,000
Agriculture, forestry, animal husbandry and fishery	632,694	0%	172,236
Household and other services	360,300	0%	360,300
Others	12,864,199	2%	4,771,957
Subtotal of corporate loans and advances	<u>420,136,666</u>	<u>72%</u>	<u>197,346,230</u>
Personal loans and advances	100,725,053	17%	62,037,631
Discounted bills	<u>65,170,949</u>	<u>11%</u>	<u>65,170,949</u>
Gross loans and advances to customers	<u><u>586,032,668</u></u>	<u>100%</u>	<u>324,554,810</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(b) Analysed by economic sector (Continued)**

	31 December 2020		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	165,528,276	30%	81,021,718
Renting and business activities	84,023,237	15%	44,497,022
Real estate	70,050,003	13%	42,490,895
Manufacturing	35,479,768	7%	8,769,157
Construction	29,663,065	6%	17,099,550
Culture, sports and entertainment	12,595,154	2%	262,000
Transportation, storage and postal services	6,244,752	1%	306,717
Accommodation and catering	2,555,827	1%	1,749,357
Production and supply of electricity, heat, gas and water	2,401,189	1%	480,022
Household and other services	2,132,870	0%	337,470
Mining	1,975,967	0%	67,597
Agriculture, forestry, animal husbandry and fishery	865,359	0%	256,481
Others	17,685,499	3%	7,364,359
Subtotal of corporate loans and advances	431,200,966	79%	204,702,345
Personal loans and advances	77,458,167	14%	53,630,536
Discounted bills	38,403,424	7%	38,403,424
Gross loans and advances to customers	547,062,557	100%	296,736,305



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(c) Analysed by type of collateral**

	31 December 2021	31 December 2020
Unsecured loans	58,923,026	46,979,844
Guaranteed loans	202,554,832	203,346,408
Loans secured by tangible assets other than monetary assets	222,873,962	215,899,526
Loans secured by intangible assets or monetary assets	101,680,848	80,836,779
Gross loans and advances to customers	586,032,668	547,062,557
Add: interest receivable	22,082,972	7,960,458
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(24,672,122)	(20,335,788)
Net loans and advances to customers	583,443,518	534,687,227

(d) Overdue loans analysed by overdue period

	31 December 2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	300,412	420,383	377,407	32,841	1,131,043
Guaranteed loans	8,006,563	1,873,515	5,174,617	3,215,382	18,270,077
Loans secured by tangible assets other than monetary assets	2,194,443	1,868,964	2,714,762	2,295,963	9,074,132
Loans secured by intangible assets or monetary assets	1,418,482	363,447	331	79,458	1,861,718
Total	11,919,900	4,526,309	8,267,117	5,623,644	30,336,970
As a percentage of gross loans and advances to customers	2.04%	0.77%	1.41%	0.96%	5.18%

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**(d) Overdue loans analysed by overdue period (Continued)**

	31 December 2020				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	791,082	229,332	97,649	17,343	1,135,406
Guaranteed loans	9,517,015	2,885,594	4,895,024	1,880,262	19,177,895
Loans secured by tangible assets other than monetary assets	404,207	2,323,781	1,821,996	1,109,569	5,659,553
Loans secured by intangible assets or monetary assets	3,501	562,840	246,168	70,000	882,509
Total	10,715,805	6,001,547	7,060,837	3,077,174	26,855,363
As a percentage of gross loans and advances to customers	1.96%	1.10%	1.29%	0.56%	4.91%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(e) Loans and advance and provision for impairment losses**

- (i) As at 31 December 2021, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	529,424,257	30,528,616	26,079,795	586,032,668
Add: interest receivable	20,595,310	1,487,662	–	22,082,972
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(6,421,176)	(7,417,897)	(10,833,049)	(24,672,122)
Net loans and advances to customers	<u>543,598,391</u>	<u>24,598,381</u>	<u>15,246,746</u>	<u>583,443,518</u>

- (ii) As at 31 December 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	503,677,602	25,555,014	17,829,941	547,062,557
Add: interest receivable	6,985,114	975,344	–	7,960,458
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,337,769)	(6,987,110)	(6,010,909)	(20,335,788)
Net loans and advances to customers	<u>503,324,947</u>	<u>19,543,248</u>	<u>11,819,032</u>	<u>534,687,227</u>

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 31 December 2021, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	7,337,769	6,987,110	6,010,909	20,335,788
Transferred:				
– to ECL over the next 12 months	2,198,461	(1,383,837)	(814,624)	–
– to lifetime ECL- not credit-impaired loans	(218,136)	405,529	(187,393)	–
– to lifetime ECL- credit-impaired loans	(44,732)	(1,885,448)	1,930,180	–
Net (release)/charge for the year	(2,852,186)	3,294,543	6,272,198	6,714,555
Transfer out	–	–	(2,236,251)	(2,236,251)
Write-offs	–	–	(146,435)	(146,435)
Recoveries	–	–	4,465	4,465
As at 31 December	6,421,176	7,417,897	10,833,049	24,672,122

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	217,718	–	–	217,718
Net charge for the year	233,920	–	–	233,920
As at 31 December	451,638	–	–	451,638

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(f) Movements of provision for impairment losses (Continued)**

As at 31 December 2020, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	5,480,833	1,429,810	5,968,527	12,879,170
Transferred:				
– to ECL over the next 12 months	799,080	(224,525)	(574,555)	–
– to lifetime ECL- not credit-impaired loans	(145,603)	147,993	(2,390)	–
– to lifetime ECL- credit-impaired loans	(41,354)	(284,438)	325,792	–
Net charge for the year	1,244,813	5,918,270	956,425	8,119,508
Transfer out	–	–	(293,502)	(293,502)
Write-offs	–	–	(427,236)	(427,236)
Recoveries	–	–	57,848	57,848
As at 31 December	<u>7,337,769</u>	<u>6,987,110</u>	<u>6,010,909</u>	<u>20,335,788</u>

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	8,618	–	–	8,618
Net charge for the year	<u>209,100</u>	–	–	<u>209,100</u>
As at 31 December	<u>217,718</u>	–	–	<u>217,718</u>

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the impairment losses are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Analysed by geographical sector (Note (i))

	31 December 2021		Loans and advances secured by collaterals
	Loans balance	Percentage	
Northeast China	515,645,851	88%	299,317,017
North China	50,577,902	9%	10,465,757
Others	19,808,915	3%	14,772,036
Gross loans and advances to customers	586,032,668	100%	324,554,810

	31 December 2020		Loans and advances secured by collaterals
	Loans balance	Percentage	
Northeast China	472,633,430	87%	268,374,594
North China	55,354,324	10%	13,577,666
Others	19,074,803	3%	14,784,045
Gross loans and advances to customers	547,062,557	100%	296,736,305

Note:

- (i) The definitions of the geographical sectors are set out in Note 38(b).

20 FINANCIAL INVESTMENTS

	Note	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	20(a)	93,378,132	100,939,472
Financial assets at fair value through other comprehensive income	20(b)	34,165,805	27,878,398
Financial assets measured at amortised cost	20(c)	184,456,811	229,227,082
Total		312,000,748	358,044,952

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(a) Financial assets at fair value through profit or loss**

	31 December 2021	31 December 2020
Debt securities at fair value listed outside		
Hong Kong		
– Policy banks	–	588,420
– Banks and other financial institutions	553,165	1,395,471
– Corporate	1,030,961	1,030,961
	<hr/>	<hr/>
Subtotal	1,584,126	3,014,852
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plan	60,142,337	60,710,215
Investment funds	31,477,776	36,861,473
Beneficial investment of trust	–	293,596
	<hr/>	<hr/>
Subtotal	91,620,113	97,865,284
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Equity investment		
– Listed	122,409	7,852
– Unlisted	51,484	51,484
	<hr/>	<hr/>
Subtotal	173,893	59,336
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	93,378,132	100,939,472
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20 FINANCIAL INVESTMENTS (CONTINUED)**(b) Financial assets at fair value through other comprehensive income**

	<i>Note</i>	31 December 2021	31 December 2020
Debt securities at fair value listed outside			
Hong Kong			
– Government		18,148,592	12,029,935
– Policy banks		4,918,953	7,428,435
– Banks and other financial institutions		517,889	1,849,715
– Corporate		2,163,398	1,837,108
		<hr/>	<hr/>
Subtotal		25,748,832	23,145,193
		<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Commercial banks undated capital bonds		1,020,044	–
Equity investments			
– Listed		200,053	156,927
– Unlisted		6,721,875	4,099,206
		<hr/>	<hr/>
Subtotal		7,941,972	4,256,133
		<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Add: interest receivable		475,001	477,072
		<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total		34,165,805	27,878,398
		<hr style="border-top: 3px double red;"/>	<hr style="border-top: 3px double red;"/>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(b) Financial assets at fair value through other comprehensive income (Continued)**

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	1,019	–	641,840	642,859
Net (release)/charge for the year	(130)	–	55,138	55,008
As at 31 December	889	–	696,978	697,867

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	2,336	–	–	2,336
Net (release)/charge for the year	(1,317)	–	641,840	640,523
As at 31 December	1,019	–	641,840	642,859

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

20 FINANCIAL INVESTMENTS (CONTINUED)**(c) Financial assets measured at amortised cost**

	31 December 2021	31 December 2020
Debt securities at fair value listed outside Hong Kong		
– Government	39,096,660	66,643,142
– Policy banks	55,696,204	77,422,643
– Banks and other financial institutions	300,000	200,000
– Corporate	5,649,801	1,821,623
	<hr/>	<hr/>
Subtotal	100,742,665	146,087,408
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plan	3,815,274	4,558,243
Beneficial investment of trust	80,554,015	78,269,005
	<hr/>	<hr/>
Subtotal	84,369,289	82,827,248
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Add: interest receivable	3,955,775	3,725,514
Less: provision for impairment losses	(4,610,918)	(3,413,088)
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Total	184,456,811	229,227,082
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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows:

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	1,640,198	151,576	1,621,314	3,413,088
Transferred:				
– to ECL over the next 12 months investments	417,900	–	(417,900)	–
– to lifetime ECL- not credit-impaired investments	(50,848)	50,848	–	–
– to lifetime ECL – credit-impaired investments	(647,943)	–	647,943	–
Net release/(charge) for the year	(639,907)	901,202	936,535	1,197,830
As at 31 December	<u>719,400</u>	<u>1,103,626</u>	<u>2,787,892</u>	<u>4,610,918</u>
	Year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January	828,138	165,454	1,030,953	2,024,545
Transferred:				
– to lifetime ECL – credit-impaired investments	(27,132)	–	27,132	–
Net charge/(release) for the year	839,192	(13,878)	563,229	1,388,543
As at 31 December	<u>1,640,198</u>	<u>151,576</u>	<u>1,621,314</u>	<u>3,413,088</u>

21 INVESTMENTS IN SUBSIDIARIES

The Bank

	31 December 2021	31 December 2020
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	180,000	180,000
Total	326,157	326,157

As at 31 December 2021, background of the subsidiaries is as follows:

	Note	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector	Economic nature/type
Shenyang Shenbei	21(a)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin	21(b)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku	21(c)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong	21(d)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei	21(e)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan	21(f)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Consumer		25/02/2016	Liaoning, China	300,000	60%	Consumer finance	Limited company



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Bank (Continued)

Notes:

- (a) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.
- (b) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (c) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (d) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (e) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (f) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.



22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2020	4,044,936	1,056,478	2,619,308	1,003,566	92,229	8,816,517
Additions	–	45,958	403,043	108,016	256	557,273
CIP transfers	679,675	72,967	(752,642)	–	–	–
Disposals	(260,932)	–	–	(52,263)	(4,292)	(317,487)
As at 31 December 2020 and 1 January 2021	4,463,679	1,175,403	2,269,709	1,059,319	88,193	9,056,303
Additions	7,335	5,143	21,881	51,452	–	85,811
CIP transfers	–	4,356	(4,831)	475	–	–
Disposals	(690)	–	–	(23,159)	–	(23,849)
As at 31 December 2021	4,470,324	1,184,902	2,286,759	1,088,087	88,193	9,118,265
Accumulated depreciation						
As at 1 January 2020	(1,669,559)	(678,132)	–	(681,262)	(85,286)	(3,114,239)
Additions	(186,412)	(104,223)	–	(113,022)	(1,672)	(405,329)
Disposals	131,984	–	–	26,888	4,163	163,035
As at 31 December 2020 and 1 January 2021	(1,723,987)	(782,355)	–	(767,396)	(82,795)	(3,356,533)
Additions	(193,216)	(101,149)	–	(112,855)	(1,236)	(408,456)
Disposals	669	–	–	22,364	–	23,033
As at 31 December 2021	(1,916,534)	(883,504)	–	(857,887)	(84,031)	(3,741,956)
Net book value						
As at 31 December 2020	2,739,692	393,048	2,269,709	291,923	5,398	5,699,770
As at 31 December 2021	2,553,790	301,398	2,286,759	230,200	4,162	5,376,309

The carrying amount of premises without title deeds as at 31 December 2021 was RMB413.76 million (31 December 2020: RMB448.75 million). The Group is still in the progress of applying the title deeds for the above premises. Management of the Group expected that there would be no significant costs in obtaining the title deeds.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***22 PROPERTY AND EQUIPMENT (CONTINUED)**

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2021	31 December 2020
Held in mainland China		
– Long term leases (over 50 years)	217,042	232,746
– Medium term leases (10 – 50 years)	2,168,249	2,323,792
– Short term leases (less than 10 years)	168,499	183,154
Total	2,553,790	2,739,692

23 DEFERRED TAX ASSETS AND LIABILITIES**(a) Analysed by nature**

	31 December 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	30,321,284	7,580,321	23,993,792	5,998,448
Change in fair value of financial assets at fair value through other comprehensive income	1,088,940	272,237	844,680	211,170
Supplementary retirement benefits	102,248	25,560	94,476	23,619
Change in fair value of derivative financial instruments	(2,440)	(610)	(206,088)	(51,522)
Change in fair value of financial assets at fair value through profit or loss	(2,353,392)	(588,348)	(2,633,744)	(658,436)
Net deferred income tax	29,156,640	7,289,160	22,093,116	5,523,279

23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**(b) Analysed by movement**

	At 1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2021
Allowance for impairment losses	5,998,448	1,581,873	-	7,580,321
Change in fair value of financial assets at fair value through other comprehensive income	211,170	-	61,067	272,237
Supplementary retirement benefits	23,619	(722)	2,663	25,560
Change in fair value of derivative financial instruments	(51,522)	50,912	-	(610)
Change in fair value of financial assets at fair value through profit or loss	(658,436)	70,088	-	(588,348)
Net deferred income tax	<u>5,523,279</u>	<u>1,702,151</u>	<u>63,730</u>	<u>7,289,160</u>

	At 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
Allowance for impairment losses	5,397,169	601,279	-	5,998,448
Change in fair value of financial assets at fair value through other comprehensive income	(133,326)	-	344,496	211,170
Supplementary retirement benefits	25,891	(1,159)	(1,113)	23,619
Change in fair value of derivative financial instruments	(674,441)	622,919	-	(51,522)
Change in fair value of financial assets at fair value through profit or loss	(485,717)	(172,719)	-	(658,436)
Net deferred tax	<u>4,129,576</u>	<u>1,050,320</u>	<u>343,383</u>	<u>5,523,279</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS**

	Note	31 December 2021	31 December 2020
Settlement and clearing accounts		5,961,623	8,252,678
Reposessed assets	24(a)	1,580,262	1,598,979
Interest receivable	24(b)	1,118,882	627,226
Right-of-use assets	24(c)	678,629	605,726
Intangible assets	24(d)	303,297	224,835
Land use rights		68,608	72,788
Prepayments		68,266	39,069
Continued involvement in assets	45	–	198,596
Others	24(e)	2,977,026	1,108,686
Total		<u>12,756,593</u>	<u>12,728,583</u>

(a) Reposessed assets

	31 December 2021	31 December 2020
Land use rights and buildings	1,639,702	1,658,419
Less: impairment allowance	(59,440)	(59,440)
	<u>1,580,262</u>	<u>1,598,979</u>

(b) Interest receivable

	31 December 2021	31 December 2020
Interest receivable arising from:		
– Loans and advances to customers	<u>1,118,882</u>	<u>627,226</u>

24 OTHER ASSETS (CONTINUED)**(c) Right-of-use assets**

	Leased properties and buildings
Cost	
As at 1 January 2020	842,423
Additions	103,979
Disposals	(24,554)
	<hr/>
As at 31 December 2020 and 1 January 2021	921,848
Additions	221,456
Disposals	(20,095)
	<hr/>
As at 31 December 2021	<u><u>1,123,209</u></u>
Accumulated depreciation	
As at 1 January 2020	(167,438)
Additions	(173,238)
Disposals	24,554
	<hr/>
As at 31 December 2020 and 1 January 2021	(316,122)
Additions	(148,553)
Disposals	20,095
	<hr/>
As at 31 December 2021	<u><u>(444,580)</u></u>
Carrying amount:	
As at 31 December 2020	<u><u>605,726</u></u>
As at 31 December 2021	<u><u>678,629</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(d) Intangible assets**

	2021	2020
Cost		
As at 1 January	381,683	317,615
Additions	<u>116,186</u>	<u>64,068</u>
As at 31 December	<u>497,869</u>	<u>381,683</u>
Accumulated amortisation		
As at 1 January	(156,848)	(125,308)
Additions	<u>(37,724)</u>	<u>(31,540)</u>
As at 31 December	<u>(194,572)</u>	<u>(156,848)</u>
Net value		
As at 1 January	<u>224,835</u>	<u>192,307</u>
As at 31 December	<u>303,297</u>	<u>224,835</u>

Intangible assets of the Group mainly represent computer software.

24 OTHER ASSETS (CONTINUED)

(e) Others

	31 December 2021	31 December 2020
Receivable due from disposal of non-performing assets (Note (i))	653,754	653,754
Others	4,375,026	764,007
Subtotal	5,028,780	1,417,761
Less: impairment allowance	(2,051,754)	(309,075)
	<u>2,977,026</u>	<u>1,108,686</u>

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd..

25 BORROWINGS FROM CENTRAL BANK

	31 December 2021	31 December 2020
Borrowings (Note (a))	1,630,812	2,768,243
Add: interest payable	1,110	47,120
Total	<u>1,631,922</u>	<u>2,815,363</u>

Note:

- (a) Borrowings from central bank mainly include Medium-term Lending Facility and open market operations.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS****Analysed by type and location of counterparty**

	31 December 2021	31 December 2020
Deposits in mainland China		
– Banks	21,777,947	20,940,774
– Other financial institutions	38,043,592	69,530,959
Subtotal	59,821,539	90,471,733
Add: interest payable	120,627	320,973
Total	59,942,166	90,792,706

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS**Analysed by type and location of counterparty**

	31 December 2021	31 December 2020
Placements in mainland China		
– Banks	430,000	4,894,041
– Other financial institutions	100,000	30,000
Subtotal	530,000	4,924,041
Add: interest payable	51,595	60,464
Total	581,595	4,984,505

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2021	31 December 2020
In mainland China		
– Banks	60,189,882	76,937,870
– Other financial institutions	29,043,518	12,676,968
Subtotal	89,233,400	89,614,838
Add: interest payable	37,737	57,415
Total	89,271,137	89,672,253

(b) Analysed by type of security held

	31 December 2021	31 December 2020
Debt securities sold under repurchase agreements	64,000,434	63,261,115
Bills sold under repurchase agreements	25,232,966	26,353,723
Subtotal	89,233,400	89,614,838
Add: interest payable	37,737	57,415
Total	89,271,137	89,672,253

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***29 DEPOSITS FROM CUSTOMERS**

	31 December 2021	31 December 2020
Demand deposits		
– Corporate deposits	139,501,418	141,808,350
– Personal deposits	52,119,182	24,304,387
Subtotal	191,620,600	166,112,737
Time deposits		
– Corporate deposits	136,060,819	148,980,109
– Personal deposits	367,723,470	333,600,481
Subtotal	503,784,289	482,580,590
Pledged deposits		
– Acceptances	30,115,039	21,675,248
– Letters of credit	3,133,042	3,636,945
– Letters of guarantees	3,984,421	4,019,489
– Others	445,045	487,990
Subtotal	37,677,547	29,819,672
Inward and outward remittances	3,950,506	2,891,748
Total deposits from customers at amortised cost	737,032,942	681,404,747
Add: interest payable	17,847,732	15,959,155
Total	754,880,674	697,363,902

30 DEBT SECURITIES ISSUED

	<i>Note</i>	31 December 2021	31 December 2020
Tier two capital fixed rate debts maturing in December 2027	30(a)	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2021	30(b)	–	2,000,000
Financial fixed rate bonds maturing in August 2021	30(c)	–	12,000,000
Financial fixed rate bonds maturing in October 2021	30(d)	–	8,000,000
Financial fixed rate bonds maturing in November 2021	30(e)	–	6,900,000
Certificates of interbank deposit	30(f)	2,417,309	10,022,558
Subtotal		8,417,309	44,922,558
Add: interest payable		10,122	340,079
Total		8,427,431	45,262,637

Notes:

- (a) Tier two capital fixed rate debts of RMB6.0 billion with a term of ten years were issued on 18 December 2017. The coupon rate is 4.90%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) Financial fixed rate bonds of RMB2.0 billion with a term of five years were issued on 26 August 2016. The coupon rate is 3.10% per annum.
- (c) Financial fixed rate bonds of RMB12.0 billion with a term of three years were issued on 15 August 2018. The coupon rate is 4.35% per annum.
- (d) Financial fixed rate bonds of RMB8.0 billion with a term of three years were issued on 25 October 2018. The coupon rate is 4.10% per annum.
- (e) Financial fixed rate bonds of RMB6.9 billion with a term of three years were issued on 26 November 2018. The coupon rate is 3.98% per annum.
- (f) As at 31 December 2021, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB2,396 million (31 December 2020: RMB9,973 million).

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES**

	Note	31 December 2021	31 December 2020
Lease liabilities	31(a)	624,831	546,541
Expected credit loss of credit commitment	31(b)	604,768	544,511
Taxes payable	31(c)	598,371	482,209
Accrued staff cost	31(d)	227,339	455,942
Payment and collection clearance accounts		147,120	290,567
Dividend payable		108,291	108,291
Dormant accounts		68,239	69,370
Continuing involvement in liability	45	–	198,596
Asset backed security payable		–	4,363
Others		635,164	796,134
Total		3,014,123	3,496,524

(a) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2021	31 December 2020
Within one year	134,205	130,066
Between one year and two years	126,799	114,536
Between two years and three years	104,204	100,869
Between three years and five years	160,349	140,864
More than five years	188,053	134,107
Contractual undiscounted cash flows of lease liabilities	713,610	620,442
Ending balance of lease liabilities	624,831	546,541

31 OTHER LIABILITIES (CONTINUED)**(b) Expected credit loss of credit commitment**

	Year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	534,975	3,018	6,518	544,511
Transferred:				
– to ECL over the next 12 months	1,014	(372)	(642)	–
– to lifetime ECL- not credit-impaired	(7,151)	7,151	–	–
– to lifetime ECL- credit-impaired	(9)	(140)	149	–
Net charge for the year	<u>11,493</u>	<u>838</u>	<u>47,926</u>	<u>60,257</u>
As at 31 December	<u>540,322</u>	<u>10,495</u>	<u>53,951</u>	<u>604,768</u>

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	657,853	34,143	92,344	784,340
Transferred:				
– to ECL over the next 12 months	1,138	(108)	(1,030)	–
– to lifetime ECL- not credit-impaired	(3)	3	–	–
– to lifetime ECL- credit-impaired	(60)	(28)	88	–
Net release for the year	<u>(123,953)</u>	<u>(30,992)</u>	<u>(84,884)</u>	<u>(239,829)</u>
As at 31 December	<u>534,975</u>	<u>3,018</u>	<u>6,518</u>	<u>544,511</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(c) Taxes payable**

	31 December 2021	31 December 2020
Value-added tax and surcharges payable	524,012	414,285
Others	74,359	67,924
Total	598,371	482,209

(d) Accrued staff cost

	Note	31 December 2021	31 December 2020
Salary, bonuses and allowances payable		80,322	314,923
Supplementary retirement benefits payable	31(d)(i)	102,248	94,481
Housing allowances payable		30,174	29,957
Pension and annuity payable	31(d)(ii)	4,324	3,181
Other social insurance payable		6,410	3,070
Others		3,861	10,330
Total		227,339	455,942



31 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the supplementary retirement benefits were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Towers Watson Management Consulting (Shenzhen) Co., Ltd..

(1) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2021	31 December 2020
Present value of early retirement plan	17,072	24,362
Present value of supplementary retirement plan	85,176	70,119
Total	102,248	94,481

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2021	2020
As at 1 January	94,481	103,566
Benefits paid during the year	(7,309)	(10,978)
Defined benefit cost recognised in profit or loss	4,423	6,344
Defined benefit cost recognised in other comprehensive income	10,653	(4,451)
As at 31 December	102,248	94,481

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits (Continued)***Supplementary retirement plan (Continued)*

(3) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2021	31 December 2020
Discount rate	2.50%	2.75%
Mortality	<i>Note 31(d)(i)(3)(l)</i>	<i>Note 31(d)(i)(3)(l)</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2021	31 December 2020
Discount rate	3.25%	3.75%
Mortality	<i>Note 31(d)(i)(3)(l)</i>	<i>Note 31(d)(i)(3)(l)</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Note:

- (l) As at 31 December 2021, Mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

31 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) *Supplementary retirement benefits (Continued)*

Supplementary retirement plan (Continued)

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

	31 December 2021 <i>Increase/(decrease)</i>	31 December 2020 <i>Increase/(decrease)</i>
Change in present value of the defined benefit plan obligation		
Up 25 bps in discount rate	(3,964)	(3,196)
Down 25 bps in discount rate	4,245	3,409

(ii) *Pension and annuity*

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

32 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2021		8,796,680	26,931,360	7,283,589	13,668,252	(633,509)	645,432	(16,648)	22,698,176	79,373,332
Profit for the year		-	-	-	-	-	-	-	357,578	357,578
Other comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	-	25,509
Total comprehensive income		-	-	-	-	(183,197)	216,696	(7,990)	357,578	383,087
Appropriation of profit:										
– Appropriation to surplus reserve	35	-	-	35,758	-	-	-	-	(35,758)	-
– Appropriation to general reserve	35	-	-	-	303,733	-	-	-	(303,733)	-
Subtotal		-	-	35,758	303,733	-	-	-	(339,491)	-
Balance at 31 December 2021		8,796,680	26,931,360	7,319,347	13,971,985	(816,706)	862,128	(24,638)	22,716,263	79,756,419

32 MOVEMENT IN COMPONENTS OF EQUITY (CONTINUED)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020		8,796,680	26,931,360	7,166,927	13,390,472	399,979	8,215	(19,986)	21,840,442	78,514,089
Profit for the year		-	-	-	-	-	-	-	1,166,620	1,166,620
Other comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	-	(392,933)
Total comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	1,166,620	773,687
Appropriation of profit:										
- Appropriation to surplus reserve	35	-	-	116,662	-	-	-	-	(116,662)	-
- Appropriation to general reserve	35	-	-	-	277,780	-	-	-	(277,780)	-
Subtotal		-	-	116,662	277,780	-	-	-	(394,442)	-
Disposal of equity investment at fair value through other comprehensive income		-	-	-	-	-	-	-	85,556	85,556
Balance at 31 December 2020		8,796,680	26,931,360	7,283,589	13,668,252	(633,509)	645,432	(16,648)	22,698,176	79,373,332

33 SHARE CAPITAL**Issued share capital**

	31 December 2021	31 December 2020
Number of shares, issued and fully paid at par value (<i>in thousands</i>)	8,796,680	8,796,680



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

34 RESERVES

(a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)" issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 31 December 2021.

(d) Fair value reserve

	2021	2020
As at 1 January	(633,509)	399,979
Changes in fair value recognised in fair value reserve	(169,714)	(1,165,181)
Transfer to profit or loss upon disposal	(74,550)	(198,970)
Transfer to retained earnings upon disposal	–	(13,833)
Less: income tax	61,067	344,496
Subtotal	(183,197)	(1,033,488)
As at 31 December	(816,706)	(633,509)

34 RESERVES (CONTINUED)

(e) Provision reserve

	2021	2020
As at 1 January	645,432	8,215
Changes in fair value recognised in provision reserve	288,928	849,623
Less: income tax	(72,232)	(212,406)
As at 31 December	862,128	645,432

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

(g) Retained earnings

As at 31 December 2021, the retained earnings included the statutory surplus reserve of RMB13.71 million (31 December 2020: RMB9.27 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB4.44 million (2020: RMB3.36 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

35 PROFIT DISTRIBUTION

(i) In accordance with the resolution of the Bank's Board of directors meeting on 30 March 2022, the proposed profit distribution plan for the year ended 31 December 2021 is as follows:

- Appropriate RMB35.76 million to the statutory surplus reserve fund;

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(ii) In accordance with the resolution of the Bank's 2020 Annual General Meeting held on 25 May 2021, the shareholders approved the following profit distribution plan for the year ended 31 December 2020 is as follows:

- Appropriate RMB116.66 million to the statutory surplus reserve fund;
- Appropriate RMB303.73 million to the general reserve.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2021	31 December 2020
Cash on hand	914,758	1,152,427
Deposits with central bank other than restricted deposits	10,992,499	9,074,637
Deposits with banks and other financial institutions with original maturity of three months or less	8,720,142	12,358,995
Placements with banks and other financial institutions with original maturity of three months or less	1,400,000	4,500,000
Financial assets held under resale agreements with original maturity of three months or less	2,262,136	22,121,430
Total	24,289,535	49,207,489

(b) Reconciliation of liabilities arising from financing activities:

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2021	44,922,558	340,079	45,262,637
Changes from financing cash flows:			
Net proceeds from new debt securities issued	17,981,120	–	17,981,120
Repayment of debt securities issued	(54,486,369)	–	(54,486,369)
Interest paid on debt securities issued	–	(1,679,480)	(1,679,480)
Total changes from financing cash flows	(36,505,249)	(1,679,480)	(38,184,729)
Other change:			
Interest expenses (Note 3)	–	(1,349,523)	1,349,523
Total other change	–	(1,349,523)	1,349,523
As at 31 December 2021	8,417,309	10,122	8,427,431



36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2020	80,628,767	364,287	80,993,054
Changes from financing cash flows:			
Net proceeds from new debt securities issued	135,328,820	–	135,328,820
Repayment of debt securities issued	(171,035,029)	–	(171,035,029)
Interest paid on debt securities issued	–	(2,865,182)	(2,865,182)
Total changes from financing cash flows	(35,706,209)	(2,865,182)	(38,571,391)
Other change:			
Interest expenses (Note 3)	–	2,840,974	2,840,974
Total other change	–	2,840,974	2,840,974
As at 31 December 2020	44,922,558	340,079	45,262,637

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS****(a) Relationship of related parties****(i) Major shareholders**

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

Company Name	Major shareholders	31 December 2021	Major shareholders	31 December 2020
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	Y	20.79%	N	0.54%
Evergrande Group (Nanchang) Co., Ltd.	Y	14.57%	Y	36.40%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	Y	5.45%	Y	5.45%
Liaoning Huibao International Investment Group Co., Ltd.	N	4.55%	Y	4.55%
Xinhu Zhongbao Co., Ltd.	N	3.41%	Y	3.41%
Founder Securities Co., Ltd.	Y	3.41%	Y	3.41%
Shenyang Zhongyou Tipo (Group) Material Equipment Co., Ltd.	Y	2.16%	Y	2.16%
Liaoning Huafeng Investment Co.,Ltd.	Y	1.14%	Y	1.14%

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)***Main condition of major shareholders:*

Company Name	Registered Address	Main business	Company nature	Legal Representative
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	Shenyang	Industrial investment; investment management	Limited Liability Company	Wang Linlin
Evergrande Group (Nanchang) Co., Ltd.	Nanchang	Industrial investment; investment management	Limited Liability Company	Zhong Wenyan
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Liang Zhifang
Liaoning Huibao International Investment Group Co., Ltd.	Shenyang	Investment management; exploitation and sales of real estate	Limited Liability Company	Ma Chaohai
Xinhu Zhongbao Co., Ltd.	Jiaying	Industrial investment; exploitation and sales of real estate	Company Limited by Shares	Lin Junbo
Founder Securities Co., Ltd.	Changsha	Share broking; asset management	Company Limited by Shares	Shi Hua
Shenyang Zhongyou Tipo (Group) Material Equipment Co., Ltd.	Shenyang	Metal materials, electromechanical equipment	Limited Liability Company	Liu Xinfu
Liaoning Huafeng Investment Co., Ltd.	Shenyang	Project investment and project management	Limited Liability Company	Bao Lijun

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(a) Relationship of related parties (Continued)****(i) Major shareholders (Continued)***Registered capital of major shareholders:*

Company Name	Currency	31 December 2021	31 December 2020
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	RMB	2,105,300	N/A
Evergrande Group (Nanchang) Co., Ltd.	RMB	99,984,980	99,984,980
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Liaoning International Investment Group Co., Ltd.	RMB	80,000	80,000
Xinhu Zhongbao Co., Ltd.	RMB	8,599,000	8,599,000
Founder Securities Co., Ltd.	RMB	8,232,000	8,232,000
Shenyang Zhongyou Tipo (Group) Material Equipment Co., Ltd.	RMB	20,000	N/A
Liaoning Huafeng Investment Co., Ltd.	RMB	50,000	50,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 31(b)).



37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders

(1) Deposits from customers

	31 December 2021	31 December 2020
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	2,220,859	N/A
Evergrande Group (Nanchang) Co., Ltd.	21	1,926
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	2,476	72,498
Liaoning Huibao International Investment Group Co., Ltd.	N/A	143
Xinhu Zhongbao Co., Ltd.	N/A	17
Founder Securities Co., Ltd.	–	300,000
Shenyang Zhongyou Tipo (Group) Material Equipment Co., Ltd.	11	11
Liaoning Huafeng Investment Co., Ltd.	13	12
Total	<u>2,223,380</u>	<u>374,607</u>

(2) Guarantees received

	31 December 2021	31 December 2020
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	1,118,250	1,118,500
Liaoning Huibao International Investment Group Co., Ltd.	N/A	411,663
Total	<u>1,118,250</u>	<u>1,530,163</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances (Continued)****(i) Transactions between the Bank and major shareholders (Continued)****(3) Interest expense**

	2021	2020
Shenyang Shengjing Financial Holdings Investment Co., Ltd.	26,796	N/A
Evergrande Group (Nanchang) Co., Ltd.	2	23
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	331	442
Liaoning Huibao International Investment Group Co., Ltd.	N/A	1
Founder Securities Co., Ltd.	1,311	8,400
	<hr/>	<hr/>
Total	<u>28,440</u>	<u>8,866</u>

(ii) Transactions between the Bank and subsidiaries

	31 December 2021	31 December 2020
Balances at the end of the year:		
Deposits from banks and other financial institutions	1,409,385	821,769
Deposits with banks and other financial institutions	345	–
Placements with banks and other financial institutions	3,790,000	2,790,000

	2021	2020
Transactions during the year:		
Interest income	170,415	131,071
Interest expense	13,575	10,244

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)**(b) Related party transactions and balances (Continued)****(iii) Transactions between the Bank and other related parties**

	31 December 2021	31 December 2020
Balances at the end of the year:		
Financial assets measured at amortised cost	10,034,838	12,928,722
Loans and advances to customers	8,140,674	15,809,573
Deposits from customers	3,424,054	13,298,014
Guarantees received	9,245,777	16,385,790
Bank acceptances	–	200,000
	2021	2020
Transactions during the year:		
Interest income	1,277,777	2,017,915
Interest expense	66,573	162,507
Fee and commission income	–	100

(c) Key management personnel**(i) Key management personnel remuneration**

	2021	2020
Salaries and other emoluments	19,484	22,247
Discretionary bonuses	19,852	31,598
Contributions to pension schemes	1,294	1,512
Total	40,630	55,357

(ii) Loans and advances to directors, supervisors and officers

At 31 December 2021 and 2020, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	31 December 2021	31 December 2020
Balances at the end of the year:		
Deposits from customers	26,137	29,025
Loans and advances to customers	417	542
	2021	2020
Transactions during the year:		
Interest income	25	33
Interest expense	266	314

38 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities.

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (*Continued*)

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.



NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (Continued)****Others (Continued)**

	Year ended 31 December 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	16,151,927	(8,484,009)	4,719,691	-	12,387,609
Internal net interest (expense)/income	(5,528,163)	12,041,149	(6,512,986)	-	-
Net interest income/(expense)	10,623,764	3,557,140	(1,793,295)	-	12,387,609
Net fee and commission income/(expense)	439,702	7,250	(17,482)	-	429,470
Net trading losses	-	-	(708,318)	-	(708,318)
Net gains arising from investments	-	-	3,210,194	83,062	3,293,256
Other operating income	9,177	292	-	55,125	64,594
Operating income	11,072,643	3,564,682	691,099	138,187	15,466,611
Operating expenses	(3,543,730)	(1,840,932)	(422,070)	(48,322)	(5,855,054)
Impairment losses on assets	(7,925,606)	(825,054)	(757,302)	-	(9,507,962)
Losses/(profit) before tax	(396,693)	898,696	(488,273)	89,865	103,595
Other segment information					
- Depreciation and amortisation	377,862	206,928	14,123	-	598,913
- Capital expenditure	127,440	69,791	4,763	-	201,994

38 SEGMENT REPORTING (CONTINUED)**(a) Business Segment (Continued)*****Others (Continued)***

	31 December 2021				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	553,643,534	106,998,530	338,195,029	–	998,837,093
Deferred tax assets					<u>7,289,160</u>
Total assets					<u><u>1,006,126,253</u></u>
Segment liabilities/total liabilities	<u>323,230,776</u>	<u>434,526,956</u>	<u>167,724,972</u>	<u>140,608</u>	<u>925,623,312</u>
Credit commitments	<u>154,481,585</u>	<u>17,777,920</u>	<u>–</u>	<u>–</u>	<u>172,259,505</u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (Continued)****Others (Continued)**

	Year ended 31 December 2020				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	15,404,227	(6,366,775)	5,520,909	–	14,558,361
Internal net interest (expense)/income	(3,904,432)	7,924,102	(4,019,670)	–	–
Net interest income	11,499,795	1,557,327	1,501,239	–	14,558,361
Net fee and commission income/(expense)	534,721	157,254	(3,097)	–	688,878
Net trading losses	(35,215)	–	(697,707)	–	(732,922)
Net gains arising from investments	–	–	1,590,757	1,440	1,592,197
Other operating income	9,112	441	–	150,746	160,299
Operating income	12,008,413	1,715,022	2,391,192	152,186	16,266,813
Operating expenses	(3,643,822)	(1,058,308)	(332,729)	(15,227)	(5,050,086)
Impairment losses on assets	(7,706,739)	(373,795)	(2,544,829)	–	(10,625,363)
Profit/(losses) before tax	<u>657,852</u>	<u>282,919</u>	<u>(486,366)</u>	<u>136,959</u>	<u>591,364</u>
Other segment information					
– Depreciation and amortisation	<u>463,507</u>	<u>138,196</u>	<u>11,053</u>	–	<u>612,756</u>
– Capital expenditure	<u>477,311</u>	<u>142,312</u>	<u>11,383</u>	–	<u>631,006</u>

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2020				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	530,669,409	89,755,031	412,010,656	–	1,032,435,096
Deferred tax assets					<u>5,523,279</u>
Total assets					<u><u>1,037,958,375</u></u>
Segment liabilities/total liabilities	<u>330,376,409</u>	<u>372,260,118</u>	<u>255,103,636</u>	<u>171,663</u>	<u>957,911,826</u>
Credit commitments	<u>141,196,091</u>	<u>15,383,277</u>	<u>–</u>	<u>–</u>	<u>156,579,368</u>

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(b) Geographical information (Continued)**

	Operating income	
	2021	2020
North east China	15,170,155	15,039,278
North China	174,535	651,384
Others	121,921	576,151
Total	15,466,611	16,266,813

	Non-current assets <i>(Note i)</i>	
	31 December 2021	31 December 2020
North east China	6,181,396	6,314,658
North China	215,781	246,040
Others	29,666	42,421
Total	6,426,843	6,603,119

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Based on whether there is significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- Probability of default (PD) refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- Exposure at default (EAD) is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- Loss given default (LGD) refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

- As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)*****Treasury Business***

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 41(a).

(ii) Loans and advances to customers

Loans and advances to customers were analysed as follows as at 31 December 2021:

	31 December 2021	31 December 2020
Gross balance of loans and advances to customers		
– ECL over the next 12 months	529,424,257	503,677,602
– Lifetime ECL – not credit-impaired loans	30,528,616	25,555,014
– Lifetime ECL – credit-impaired loans	26,079,795	17,829,941
	<u>586,032,668</u>	<u>547,062,557</u>
Add: Interest receivable		
– ECL over the next 12 months	20,595,310	6,985,114
– Lifetime ECL – not credit-impaired loans	1,487,662	975,344
	<u>22,082,972</u>	<u>7,960,458</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(6,421,176)	(7,337,769)
– Lifetime ECL – not credit-impaired loans	(7,417,897)	(6,987,110)
– Lifetime ECL – credit-impaired loans	(10,833,049)	(6,010,909)
	<u>(24,672,122)</u>	<u>(20,335,788)</u>
Net balance		
– ECL over the next 12 months	543,598,391	503,324,947
– Lifetime ECL – not credit-impaired loans	24,598,381	19,543,248
– Lifetime ECL – credit-impaired loans	15,246,746	11,819,032
	<u>583,443,518</u>	<u>534,687,227</u>

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)***(ii) Loans and advances to customers (Continued)*

(1) ECL over the next 12 months loans

	31 December 2021	31 December 2020
Corporate loans and advances	430,514,863	427,294,550
Personal loans and advances	98,909,394	76,383,052
Total gross balance	529,424,257	503,677,602

(2) Lifetime ECL – not credit-impaired loans

	Not overdue	31 December 2021		Total
		Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	26,399,951	2,262,746	1,645,666	30,308,363
Personal loans and advances	–	56,577	163,676	220,253
Total gross balance	26,399,951	2,319,323	1,809,342	30,528,616

	Not overdue	31 December 2020		Total
		Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	17,922,039	525,830	6,836,211	25,284,080
Personal loans and advances	–	50,608	220,326	270,934
Total gross balance	17,922,039	576,438	7,056,537	25,555,014

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)***(ii) Loans and advances to customers (Continued)*

(2) Lifetime ECL – not credit-impaired loans (Continued)

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	31 December 2021	31 December 2020
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	21,715,488	10,746,256

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Lifetime ECL – credit-impaired loans

	31 December 2021	31 December 2020
Corporate loans and advances	24,484,389	17,025,760
Personal loans and advances	1,595,406	804,181
Total gross balance	26,079,795	17,829,941
% of total loans and advances	4.45%	3.26%
Allowance for impairment losses		
– Corporate loans and advances	9,727,771	5,476,895
– Personal loans and advances	1,105,278	534,014
Total	10,833,049	6,010,909
Fair value of collateral held against credit-impaired loans and advances	47,693,656	36,976,382

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.



39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2021	31 December 2020
Carrying amount		
Neither overdue nor impaired		
– grade A to AAA	12,198,598	24,995,004
– grade B to BBB	1	1,309,960
– unrated (<i>Note (1)</i>)	3,679	14,525,009
Impaired		
– grade C to CCC	300,000	300,000
– unrated	–	1,146,777
	<u>12,502,278</u>	<u>42,276,750</u>
Add: interest receivable		
– ECL over the next 12 months	<u>4,632</u>	<u>34,727</u>
Less: provision for impairment loss		
– Lifetime ECL – credit-impaired	(2,165)	(497,701)
– Lifetime ECL – credit-impaired	<u>(150,000)</u>	<u>(150,000)</u>
	<u>(152,165)</u>	<u>(647,701)</u>
Net balance		
– ECL over the next 12 months	12,204,745	40,366,999
– Lifetime ECL – credit-impaired	<u>150,000</u>	<u>1,296,777</u>
	<u>12,354,745</u>	<u>41,663,776</u>

Note:

(1) All unrated carrying amount are pledged by government debt securities or policy banks debt securities.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (Continued)***(iv) Debt securities investments*

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	31 December 2021	31 December 2020
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	57,245,252	78,673,077
– Policy banks	60,615,157	85,439,498
– Banks and other financial institutions	1,371,054	3,445,186
– Corporate	4,840,742	3,219,947
– Lifetime ECL – credit-impaired		
– Corporate	4,003,418	1,469,745
	<u>128,075,623</u>	<u>172,247,453</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(7,337)	(6,998)
– Lifetime ECL – credit-impaired	(1,255,025)	(641,840)
	<u>(1,262,362)</u>	<u>(648,838)</u>
Net balance		
– ECL over the next 12 months	124,064,868	170,770,710
– Lifetime ECL – credit-impaired	2,748,393	827,905
	<u>126,813,261</u>	<u>171,598,615</u>

39 RISK MANAGEMENT (CONTINUED)**(a) Credit risk (Continued)***(v) Financial assets measured at amortised cost*

	31 December 2021	31 December 2020
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	159,966,046	221,339,611
– Lifetime ECL – not credit-impaired investments	13,601,010	1,200,000
– Lifetime ECL – credit-impaired investments	11,544,898	6,375,045
	<u>185,111,954</u>	<u>228,914,656</u>
Add: Interest receivable	<u>3,955,775</u>	<u>3,725,514</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(719,400)	(1,640,198)
– Lifetime ECL – not credit-impaired investments	(1,103,626)	(151,576)
– Lifetime ECL – credit-impaired investments	(2,787,892)	(1,621,314)
	<u>(4,610,918)</u>	<u>(3,413,088)</u>
Net balance		
– ECL over the next 12 months	163,202,421	223,424,927
– Lifetime ECL – not credit-impaired investments	12,497,384	1,048,424
– Lifetime ECL – credit-impaired investments	8,757,006	4,753,731
	<u>184,456,811</u>	<u>229,227,082</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Risk Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

(i) *Interest rate risk*

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(1) *Repricing risk*

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2021					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	72,330,736	945,616	71,385,120	-	-	-
Deposits with banks and other financial institutions	8,842,567	4,038	8,838,529	-	-	-
Placements with banks and other financial institutions	1,250,301	150,578	1,099,723	-	-	-
Financial assets held under resale agreements	2,261,877	16	2,261,861	-	-	-
Loans and advances to customers (Note (i))	583,443,518	22,082,972	125,173,604	236,218,504	128,286,560	71,681,878
Financial investments (Note (iii))	312,000,748	13,391,350	158,339,342	37,881,004	65,506,773	36,882,279
Others	25,996,506	25,422,062	-	10	571,863	2,571
Total assets	1,006,126,253	61,996,632	367,098,179	274,099,518	194,365,196	108,566,728
Liabilities						
Borrowings from central bank	(1,631,922)	(1,110)	(361,637)	(1,269,175)	-	-
Deposits from banks and other financial institutions	(59,942,166)	(120,627)	(58,186,539)	(1,635,000)	-	-
Placements from banks and other financial institutions	(581,595)	(51,595)	(430,000)	(100,000)	-	-
Financial assets sold under repurchase agreements	(89,271,137)	(37,737)	(77,711,057)	(11,522,343)	-	-
Deposits from customers	(754,880,674)	(17,847,732)	(291,718,575)	(211,362,289)	(233,952,078)	-
Debt securities issued	(8,427,431)	(10,122)	(1,574,494)	(842,815)	-	(6,000,000)
Others	(10,888,387)	(3,014,123)	(4,562,147)	(2,762,062)	(547,484)	(2,571)
Total liabilities	(925,623,312)	(21,083,046)	(434,544,449)	(229,493,684)	(234,499,562)	(6,002,571)
Asset-liability gap	80,502,941	40,913,586	(67,446,270)	44,605,834	(40,134,366)	102,564,157

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	31 December 2020					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	78,505,916	1,187,264	77,318,652	-	-	-
Deposits with banks and other financial institutions	15,194,344	33,265	15,161,079	-	-	-
Placements with banks and other financial institutions	4,350,087	150,629	4,199,458	-	-	-
Financial assets held under resale agreements	22,119,345	833	22,118,512	-	-	-
Loans and advances to customers (Note (i))	534,687,227	7,960,458	117,056,619	153,147,676	189,911,941	66,610,533
Financial investments (Note (iii))	358,044,952	9,722,360	72,318,815	84,984,947	99,590,201	91,428,629
Others	25,056,504	23,951,630	205,325	502,962	394,851	1,736
Total assets	1,037,958,375	43,006,439	308,378,460	238,635,585	289,896,993	158,040,898
Liabilities						
Borrowings from central bank	(2,815,363)	(47,120)	(6,200)	(2,762,043)	-	-
Deposits from banks and other financial institutions	(90,792,706)	(320,973)	(80,556,773)	(9,914,960)	-	-
Placements from banks and other financial institutions	(4,984,505)	(60,464)	(2,624,201)	(2,299,840)	-	-
Financial assets sold under repurchase agreements	(89,672,253)	(57,415)	(83,832,133)	(5,782,705)	-	-
Deposits from customers	(697,363,902)	(15,959,155)	(181,828,586)	(116,080,529)	(213,326,699)	(170,168,933)
Debt securities issued	(45,262,637)	(340,079)	(8,814,361)	(30,108,197)	-	(6,000,000)
Others	(27,020,460)	(4,030,607)	(4,593,457)	(18,038,597)	(356,065)	(1,734)
Total liabilities	(957,911,826)	(20,815,813)	(362,255,711)	(184,986,871)	(213,682,764)	(176,170,667)
Asset-liability gap	80,046,549	22,190,626	(53,877,251)	53,648,714	76,214,229	(18,129,769)

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (Continued)****(i) Interest rate risk (Continued)****(1) Repricing risk (Continued)**

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 31 December 2021 included overdue amounts (net of provision for impairment losses) of RMB15,353 million (31 December 2020: RMB13,933 million).
- (ii) As at 31 December, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

(2) Interest rate sensitivity analysis

	31 December 2021 Increase/(decrease)	31 December 2020 Increase/(decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	(378,330)	(217,798)
Down 100 bps parallel shift in yield curves	378,330	217,798
Change in equity		
Up 100 bps parallel shift in yield curves	(939,354)	(1,715,857)
Down 100 bps parallel shift in yield curves	988,605	1,892,907

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (Continued)****(ii) Currency risk**

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies, setting limits on synthetic positions in the settlement and sale of foreign exchange, and setting country risk quota, etc.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2021			Total (RMB Equivalent)
	RMB (RMB Equivalent)	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	71,883,116	426,599	21,021	72,330,736
Deposits with banks and other financial institutions	2,826,862	5,398,850	616,855	8,842,567
Placements with banks and other financial institutions	1,250,301	–	–	1,250,301
Financial assets held under resale agreements	2,261,877	–	–	2,261,877
Loans and advances to customers	582,016,632	848,070	578,816	583,443,518
Financial investments (Note (i))	312,000,748	–	–	312,000,748
Others	23,882,952	12,934	2,100,620	25,996,506
Total assets	996,122,488	6,686,453	3,317,312	1,006,126,253
Liabilities				
Borrowings from central bank	(1,631,922)	–	–	(1,631,922)
Deposits from banks and other financial institutions	(59,942,166)	–	–	(59,942,166)
Placements from banks and other financial institutions	(581,595)	–	–	(581,595)
Financial assets sold under repurchase agreements	(89,271,137)	–	–	(89,271,137)
Deposits from customers	(749,528,816)	(5,082,263)	(269,595)	(754,880,674)
Debt securities issued	(8,427,431)	–	–	(8,427,431)
Others	(6,655,461)	(1,206,745)	(3,026,181)	(10,888,387)
Total liabilities	(916,038,528)	(6,289,008)	(3,295,776)	(925,623,312)
Net position	80,083,960	397,445	21,536	80,502,941
Off-balance sheet credit commitments	168,114,973	3,939,498	205,034	172,259,505



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2020			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with central bank	78,171,097	311,703	23,116	78,505,916
Deposits with banks and other financial institutions	3,846,205	5,744,061	5,604,078	15,194,344
Placements with banks and other financial institutions	4,350,087	–	–	4,350,087
Financial assets held under resale agreements	22,119,345	–	–	22,119,345
Loans and advances to customers	532,475,697	1,665,702	545,828	534,687,227
Financial investments (Note (i))	358,044,952	–	–	358,044,952
Others	20,890,361	4,029,174	136,969	25,056,504
Total assets	1,019,897,744	11,750,640	6,309,991	1,037,958,375
Liabilities				
Borrowings from central bank	(2,815,363)	–	–	(2,815,363)
Deposits from banks and other financial institutions	(86,975,639)	(3,817,067)	–	(90,792,706)
Placements from banks and other financial institutions	(4,118,303)	(815,613)	(50,589)	(4,984,505)
Financial assets sold under repurchase agreements	(89,672,253)	–	–	(89,672,253)
Deposits from customers	(689,421,864)	(7,831,982)	(110,056)	(697,363,902)
Debt securities issued	(45,262,637)	–	–	(45,262,637)
Others	(20,713,071)	(179,333)	(6,128,056)	(27,020,460)
Total liabilities	(938,979,130)	(12,643,995)	(6,288,701)	(957,911,826)
Net position	80,918,614	(893,355)	21,290	80,046,549
Off-balance sheet credit commitments	149,378,891	6,212,478	987,999	156,579,368

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2021 Increase/(decrease)	31 December 2020 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	493	(1,002)
Down 100 bps parallel shift in yield curves	(493)	1,002

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Planning and Financial Department and Risk Management Department:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, the Planning and Financial Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; as well as organizing the daily management of the liquidity risk by business departments ;
- The Risk Management Department includes liquidity risk in a comprehensive risk management system, initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2021							Total
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	60,392,621	11,938,115	-	-	-	-	-	72,330,736
Deposits with banks and other financial institutions	-	8,742,547	90,018	10,002	-	-	-	8,842,567
Placements with banks and other financial institutions	150,000	-	1,100,301	-	-	-	-	1,250,301
Financial assets held under resale agreements	-	-	2,261,877	-	-	-	-	2,261,877
Loans and advances to customers	12,499,519	9,531,865	81,140,513	49,940,706	230,431,090	128,217,947	71,681,878	583,443,518
Financial investments (Note (i))	14,171,634	-	24,018,809	78,162,309	58,766,938	72,421,129	64,459,929	312,000,748
Others	15,364,532	1,118,882	5,961,623	-	2,977,035	571,863	2,571	25,996,506
Total assets	<u>102,578,306</u>	<u>31,331,409</u>	<u>114,573,141</u>	<u>128,113,017</u>	<u>292,175,063</u>	<u>201,210,939</u>	<u>136,144,378</u>	<u>1,006,126,253</u>
Liabilities								
Borrowings from central bank	-	-	(360,491)	(1,146)	(1,270,285)	-	-	(1,631,922)
Deposits from banks and other financial institutions	-	(9,440,539)	(28,241,833)	(20,621,498)	(1,638,296)	-	-	(59,942,166)
Placements from banks and other financial institutions	-	-	(300,517)	(130,310)	(150,768)	-	-	(581,595)
Financial assets sold under repurchase agreements	-	-	(72,912,009)	(4,831,911)	(11,527,217)	-	-	(89,271,137)
Deposits from customers	-	(235,219,702)	(20,431,799)	(39,040,437)	(215,132,073)	(241,965,558)	(3,091,105)	(754,880,674)
Debt securities issued	-	-	(1,037,704)	(546,750)	(842,977)	-	(6,000,000)	(8,427,431)
Others	-	(1,592,156)	(844,485)	(4,408,022)	(2,887,693)	(892,429)	(263,602)	(10,888,387)
Total liabilities	<u>-</u>	<u>(246,252,397)</u>	<u>(124,128,838)</u>	<u>(69,580,074)</u>	<u>(233,449,309)</u>	<u>(242,857,987)</u>	<u>(9,354,707)</u>	<u>(925,623,312)</u>
Long/(short) position	<u>102,578,306</u>	<u>(214,920,988)</u>	<u>(9,555,697)</u>	<u>58,532,943</u>	<u>58,725,754</u>	<u>(41,647,048)</u>	<u>126,789,671</u>	<u>80,502,941</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>10,740,651</u>	<u>3,509,739</u>	<u>21,000,660</u>	<u>359,160,183</u>	<u>100,000</u>	<u>394,511,233</u>



39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2020							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets								
Cash and deposits with central bank	68,244,016	10,261,900	-	-	-	-	-	78,505,916
Deposits with banks and other financial institutions	654,435	11,370,646	1,019,908	2,149,355	-	-	-	15,194,344
Placements with banks and other financial institutions	153,574	-	4,196,513	-	-	-	-	4,350,087
Financial assets held under resale agreements	-	-	22,119,345	-	-	-	-	22,119,345
Loans and advances to customers	16,886,552	3,247,514	14,616,850	82,967,827	156,336,398	194,019,219	66,612,867	534,687,227
Financial investments (Note (i))	10,985,267	-	16,565,407	13,557,534	85,370,244	102,910,397	128,656,103	358,044,952
Others	13,963,042	627,226	8,267,393	190,610	1,611,646	394,851	1,736	25,056,504
Total assets	110,886,886	25,507,286	66,785,416	98,865,326	243,318,288	297,324,467	195,270,706	1,037,958,375
Liabilities								
Borrowings from central bank	-	-	-	(6,305)	(2,809,058)	-	-	(2,815,363)
Deposits from banks and other financial institutions	-	(23,022,870)	(47,152,267)	(10,667,522)	(9,950,047)	-	-	(90,792,706)
Placements from banks and other financial institutions	-	-	(2,243,430)	(389,195)	(2,351,880)	-	-	(4,984,505)
Financial assets sold under repurchase agreements	-	-	(73,018,276)	(10,867,567)	(5,786,410)	-	-	(89,672,253)
Deposits from customers	-	(177,685,491)	(3,127,011)	(1,069,384)	(118,781,689)	(222,355,568)	(174,344,759)	(697,363,902)
Debt securities issued	-	-	(3,379,225)	(5,774,231)	(30,109,181)	-	(6,000,000)	(45,262,637)
Others	-	(2,171,191)	(862,942)	(4,945,635)	(18,160,096)	(671,469)	(209,127)	(27,020,460)
Total liabilities	-	(202,879,552)	(129,783,151)	(33,719,839)	(187,948,361)	(223,027,037)	(180,553,886)	(957,911,826)
Long/(short) position	110,886,886	(177,372,266)	(62,997,735)	65,145,487	55,369,927	74,297,430	14,716,820	80,046,549
Notional amount of derivatives	-	-	27,807,700	42,120,675	105,354,093	50,758,748	100,000	226,141,216



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) *Maturity analysis (Continued)*

Notes:

- (i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2021					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(1,662,026)	(361,950)	(1,145)	(1,298,931)	-	-
Deposits from banks and other financial institutions	(60,143,007)	(37,735,316)	(20,713,709)	(1,693,982)	-	-
Placements from banks and other financial institutions	(581,595)	(300,517)	(130,310)	(150,768)	-	-
Financial assets sold under repurchase agreements	(89,611,070)	(73,225,778)	(4,838,219)	(11,547,073)	-	-
Deposits from customers	(754,931,274)	(255,650,756)	(39,038,712)	(215,145,765)	(241,993,708)	(3,102,333)
Debt securities issued	(10,602,473)	(1,034,111)	(619,914)	(1,184,448)	(1,176,000)	(6,588,000)
Other financial liabilities	(10,412,875)	(2,436,641)	(4,393,794)	(2,900,791)	(391,352)	(290,297)
Total non-derivative financial liabilities	(927,944,320)	(370,745,069)	(69,735,803)	(233,921,758)	(243,561,060)	(9,980,630)

	31 December 2020					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(2,849,148)	-	(6,115)	(2,843,033)	-	-
Deposits from banks and other financial institutions	(90,972,745)	(70,208,628)	(10,704,866)	(10,059,251)	-	-
Placements from banks and other financial institutions	(4,984,505)	(2,243,430)	(389,195)	(2,351,880)	-	-
Financial assets sold under repurchase agreements	(89,867,240)	(73,187,031)	(10,881,118)	(5,799,091)	-	-
Deposits from customers	(697,363,909)	(180,810,432)	(1,723,546)	(118,671,109)	(221,983,775)	(174,175,047)
Debt securities issued	(49,835,077)	(4,547,237)	(5,876,065)	(31,647,775)	(1,176,000)	(6,588,000)
Other financial liabilities	(26,325,892)	(2,995,841)	(4,823,855)	(17,921,343)	(356,269)	(228,584)
Total non-derivative financial liabilities	(962,198,516)	(333,992,599)	(34,404,760)	(189,293,482)	(223,516,044)	(180,991,631)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (Continued)****(iii) Analysis on contractual undiscounted cash flows of derivatives**

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Option contracts
- Currency swaps
- Foreign exchange forwards
- Precious metal derivatives

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	31 December 2021					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	29,688	-	-	-	29,688	-
Derivatives settled on gross basis						
Option contracts						
– cash outflow	(11,415)	(2,361)	(3,390)	-	(5,664)	-
– cash inflow	11,414	2,358	3,384	-	5,672	-
Precious metal derivatives						
– cash outflow	(6,586,620)	(718,340)	(3,150,118)	(2,718,162)	-	-
– cash inflow	6,536,926	673,104	3,154,921	2,708,901	-	-

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

	31 December 2020					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	38,762	(12)	(13)	-	38,787	-
Derivatives settled on gross basis						
Option contracts						
- cash outflow	(109,933,626)	(14,454,605)	(34,755,746)	(60,710,900)	(12,375)	-
- cash inflow	109,185,318	14,456,036	34,758,828	59,958,079	12,375	-
Currency swaps						
- cash outflow	(6,558,987)	(2,207,155)	(1,483,500)	(2,868,332)	-	-
- cash inflow	6,285,110	2,183,604	1,403,180	2,698,326	-	-
Foreign exchange forwards						
- cash outflow	(769,938)	-	-	(769,938)	-	-
- cash inflow	794,706	-	-	794,706	-	-
Precious metal derivatives						
- cash outflow	(21,435,335)	-	(3,252,361)	(18,182,974)	-	-
- cash inflow	21,736,711	-	3,393,560	18,343,151	-	-

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.



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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk (Continued)

The Group's measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.



39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2021 and 2020 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

	Note	31 December 2021	31 December 2020
Total core tier-one capital			
– Share capital		8,796,680	8,796,680
– Qualifying portion of capital reserve		26,931,360	26,931,360
– Surplus reserve		7,319,347	7,283,589
– General reserve		14,013,554	13,676,444
– Fair value reserve		(816,706)	(633,509)
– Provision reserve		862,128	645,432
– Retained earnings		22,797,677	22,768,584
– Qualifying portions of non-controlling interests		121,712	95,423
– Others		(24,638)	(16,648)
		<u>80,001,114</u>	<u>79,547,355</u>
Core tier-one capital		80,001,114	79,547,355
Core tier-one capital deductions		<u>(303,297)</u>	<u>(254,841)</u>
Net core tier-one capital		79,697,817	79,292,514
Net tier-one capital		<u>79,697,817</u>	<u>79,292,514</u>
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		6,000,000	6,000,000
– Surplus provision for loan impairment		5,929,637	2,325,846
		<u>11,929,637</u>	<u>8,325,846</u>
Net tier-two capital		<u>11,929,637</u>	<u>8,325,846</u>
Net capital base		<u>91,627,454</u>	<u>87,618,360</u>
Total risk weighted assets	39(e)(i)	<u>756,282,510</u>	<u>716,353,323</u>
Core tier-one capital adequacy ratio		10.54%	11.07%
Tier-one capital adequacy ratio		10.54%	11.07%
Capital adequacy ratio		12.12%	12.23%



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2021 and 2020.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. 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: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

40 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities investments

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange forward rates, foreign exchange rate volatility, CFETS middle rate and Shanghai interbank offered rate yield curves, etc.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(b) Financial instruments recorded at fair value**

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– currency derivatives	–	122,449	–	122,449
– interest rate swaps	–	438,971	–	438,971
– precious metal derivatives	–	13,024	–	13,024
Financial assets at fair value through profit or loss				
– debt instruments	–	1,584,126	–	1,584,126
– investment funds	31,477,776	–	–	31,477,776
– others	122,408	–	60,193,822	60,316,230
Financial assets at fair value through other comprehensive income				
– debt instruments	–	26,223,833	–	26,223,833
– equity instruments	1,220,097	–	6,721,875	7,941,972
Total	32,820,281	28,382,403	66,915,697	128,118,381
Liabilities				
Financial liabilities at fair value through profit or loss	–	(6,504,990)	–	(6,504,990)
Derivative financial liabilities				
– currency derivatives	–	(94,276)	–	(94,276)
– interest rate swaps	–	(409,283)	–	(409,283)
– precious metal derivatives	–	(60,732)	–	(60,732)
Total	–	(7,069,281)	–	(7,069,281)

During the year ended 31 December 2021, there were no significant transfers between instruments in Level 1 and Level 2.

40 FAIR VALUE (CONTINUED)**(b) Financial instruments recorded at fair value (Continued)**

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Assets				
Derivative financial assets				
– currency derivatives	–	153,568	–	153,568
– interest rate swaps	–	399,295	–	399,295
– precious metal derivatives	–	552,009	–	552,009
Financial assets at fair value through profit or loss				
– debt instruments	–	3,014,852	–	3,014,852
– investment funds	36,861,473	–	–	36,861,473
– others	7,852	–	61,055,295	61,063,147
Financial assets at fair value through other comprehensive income				
– debt instruments	–	23,622,265	–	23,622,265
– equity instruments	156,927	–	4,099,206	4,256,133
Total	<u>37,026,252</u>	<u>27,741,989</u>	<u>65,154,501</u>	<u>129,922,742</u>
Liabilities				
Financial liabilities at fair value through profit or loss	–	(21,494,042)	–	(21,494,042)
Derivative financial liabilities				
– currency derivatives	–	(342,886)	–	(342,886)
– interest rate swaps	–	(360,527)	–	(360,527)
– precious metal derivatives	–	(65,056)	–	(65,056)
Total	<u>–</u>	<u>(22,262,511)</u>	<u>–</u>	<u>(22,262,511)</u>

During the year ended 31 December 2020, there were no significant transfers between instruments in Level 1 and Level 2.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(c) Level 2 fair value measurement**

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to precious metals, of which the fair value is determined based on the closing price provided by Shanghai Gold Exchange.

(d) Level 3 fair value measurement

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets which are recorded at fair value and the movement during the year:

	1 January 2021	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/settlement	Transferred from Level 2 to Level 3	31 December 2021	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	61,055,295	(385,950)	–	1,844,989	(2,320,512)	–	60,193,822	238,359
Financial investments at fair value through other comprehensive income								
– Equity investments	4,099,206	–	–	2,622,669	–	–	6,721,875	–
Total	65,154,501	(385,950)	–	4,467,658	(2,320,512)	–	66,915,697	238,359

40 FAIR VALUE (CONTINUED)**(d) Level 3 fair value measurement (Continued)**

	1 January 2020	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/settlement	Transferred from Level 2 to Level 3	31 December 2020	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	116,098,273	(315,368)	–	250,079	(54,977,689)	–	61,055,295	624,309
Financial investments at fair value through other comprehensive income								
– Equity investments	4,318,415	–	(306,100)	136,512	(49,621)	–	4,099,206	–
Total	120,416,688	(315,368)	(306,100)	386,591	(55,027,310)	–	65,154,501	624,309

As at 31 December 2021 and 2020, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, beneficial investment of trust and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value

- (i) Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank and financial investments measured as amortised cost.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) *Loans and advances to customers*

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) *Financial assets measured at amortised cost*

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(iv) Financial assets at fair value through other comprehensive income equity instruments

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

(v) Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(vi) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	Carrying amount	31 December 2021			
		Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	184,456,811	185,381,184	-	98,176,705	87,204,479
Financial liabilities					
Debt securities issued					
- tier two capital bonds and financial bonds	6,010,122	5,918,562	-	5,918,562	-
- certificates of interbank deposit	2,417,309	2,395,867	-	2,395,867	-
Total	8,427,431	8,314,429	-	8,314,429	-

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(e) Fair value of financial assets and liabilities not carried at fair value (Continued)****(vi) Debt securities issued (Continued)**

	Carrying amount	31 December 2020			
		Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	229,227,082	236,900,710	-	149,121,791	87,778,919
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	35,240,079	33,924,716	-	33,924,716	-
– certificates of interbank deposit	10,022,558	9,972,983	-	9,972,983	-
Total	45,262,637	43,897,699	-	43,897,699	-

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2021	31 December 2020
Bank acceptances	128,417,787	112,713,060
Letters of guarantees	13,446,399	15,383,277
Unused credit card commitments	17,777,920	14,610,528
Letters of credit	<u>12,617,399</u>	<u>13,872,503</u>
Total	<u><u>172,259,505</u></u>	<u><u>156,579,368</u></u>

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount

	31 December 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	<u><u>41,293,559</u></u>	<u><u>48,514,713</u></u>

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***41 COMMITMENTS AND CONTINGENT LIABILITIES****(c) Capital commitments**

As at 31 December 2021 and 2020, the authorised capital commitments of the Group are as follows:

	31 December 2021	31 December 2020
Contracted but not paid for	455,102	436,221
Approved but not contracted for	63,020	23,613
Total	518,122	459,834

(d) Outstanding litigations and disputes

As at 31 December 2021 and 2020, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

(e) Pledged assets

	31 December 2021	31 December 2020
Investment securities	92,532,031	104,523,006
Discounted bills	10,579,224	23,406,284
Total	103,111,255	127,929,290

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2021 and 2020, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2021 and 2020 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2021		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	63,957,611	63,957,611	63,957,611
Investment management products under trust scheme	<u>80,554,015</u>	<u>80,554,015</u>	<u>80,554,015</u>
Total	<u><u>144,511,626</u></u>	<u><u>144,511,626</u></u>	<u><u>144,511,626</u></u>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)****(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)**

	31 December 2020		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	65,268,458	65,268,458	65,268,458
Investment management products under trust scheme	<u>78,562,601</u>	<u>78,562,601</u>	<u>78,562,601</u>
Total	<u><u>143,831,059</u></u>	<u><u>143,831,059</u></u>	<u><u>143,831,059</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the year ended 31 December 2021, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB392.53 million (2020: RMB736.56 million).

As at 31 December 2021, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB43,588 million (31 December 2020: RMB60,745 million).

During the year ended 31 December 2021, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021, but matured before 31 December 2021, is RMB15,441 million (2020: RMB31,730 million).

43 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a manager, trustee or agent for clients in a fiduciary acts. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2021, the entrusted loans balance of the Group is RMB1,750 million (31 December 2020: RMB1,804 million).

45 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 31 December 2021, the Group does not have continuing involvement through acquiring some tranches. As at 31 December 2020, the amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB3,878 million and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB199 million.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 39(a) for the explanation of the assumptions and estimation used in measuring ECL.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Consolidation of 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.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION**

	Note	31 December 2021	31 December 2020
Assets			
Cash and deposits with central bank		72,241,443	78,418,088
Deposits with banks and other financial institutions		8,202,895	14,776,422
Placements with banks and other financial institutions		5,089,607	7,174,066
Derivative financial assets		574,444	1,104,872
Financial assets held under resale agreements		2,261,877	22,119,345
Loans and advances to customers		579,446,151	530,836,526
Financial investments:			
Financial assets at fair value through profit or loss		93,378,132	100,939,472
Financial assets at fair value through other comprehensive income		34,165,805	27,878,398
Financial assets measured at amortised cost		184,456,811	229,195,883
Investments in subsidiaries	21	326,157	326,157
Property and equipment		5,355,719	5,674,031
Deferred tax assets		7,228,921	5,481,654
Other assets		12,699,382	12,653,943
		<u>1,005,427,344</u>	<u>1,036,578,857</u>
Liabilities			
Borrowings from central bank		1,628,242	2,796,349
Deposits from banks and other financial institutions		61,402,545	91,650,783
Placements from banks and other financial institutions		451,043	4,463,271
Financial liabilities at fair value through profit or loss		6,504,990	21,494,042
Derivative financial liabilities		564,291	768,469
Financial assets sold under repurchase agreements		89,271,137	89,672,253
Deposits from customers		753,917,894	696,631,204
Income tax payable		777,440	1,241,330
Debt securities issued		8,427,431	45,262,637
Other liabilities		2,725,912	3,225,187
		<u>925,670,925</u>	<u>957,205,525</u>

47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2021	31 December 2020
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34	26,931,360	26,931,360
Surplus reserve	34	7,319,347	7,283,589
General reserve	34	13,971,985	13,668,252
Fair value reserve	34	(816,706)	(633,509)
Provision reserve	34	862,128	645,432
Deficit on remeasurement of net defined benefit liability	34	(24,638)	(16,648)
Retained earnings	34	22,716,263	22,698,176
Total equity		79,756,419	79,373,332
Total liabilities and equity		1,005,427,344	1,036,578,857

Approved and authorised for issue by the board of directors on 30 March 2022.

Qiu Huofa
Chairman of Board of Directors

Shen Guoyong
President

Bao Hong
Chief Financial Officer

Company chop

48 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 35.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
<i>Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to IFRS 3, Reference to Conceptual Framework</i>	1 January 2022
<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IAS 1, Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies</i>	1 January 2023
<i>Amendments to IAS 8, Definition of accounting estimates</i>	1 January 2023
<i>Amendments to IAS12, Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023



Unaudited Supplementary Financial Information

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 31 December 2021	Average for the year ended 31 December 2021	As at 31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	152.39%	151.37%	145.30%	146.61%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the former "CBRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF").

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

(b) Leverage ratio

	31 December 2021	31 December 2020
Leverage ratio	6.96%	6.75%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.



Unaudited Supplementary Financial Information

(Expressed in thousands of RMB, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	31 December 2021			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	6,686,453	2,126,830	1,190,482	10,003,765
Spot liabilities	<u>(6,289,008)</u>	<u>(8,701)</u>	<u>(3,287,075)</u>	<u>(9,584,784)</u>
Net long position	<u>397,445</u>	<u>2,118,129</u>	<u>(2,096,593)</u>	<u>418,981</u>

	31 December 2020			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	11,750,640	5,234,983	1,075,008	18,060,631
Spot liabilities	<u>(12,643,995)</u>	<u>(33,284)</u>	<u>(6,255,417)</u>	<u>(18,932,696)</u>
Net long position	<u>(893,355)</u>	<u>5,201,699</u>	<u>(5,180,409)</u>	<u>(872,065)</u>



3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in 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, and investments in debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 31 December 2021			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	–	380,200	1,288,750	1,668,950
North and South America	–	2,138,205	–	2,138,205
Europe	–	233,689	–	233,689
Total	–	2,752,094	1,288,750	4,040,844

	As at 31 December 2020			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	–	3,243,893	1,148,915	4,392,808
North and South America	–	17,838	–	17,838
Europe	–	480,860	–	480,860
Total	–	3,742,591	1,148,915	4,891,506



Unaudited Supplementary Financial Information

(Expressed in thousands of RMB, unless otherwise stated)

4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	31 December 2021	31 December 2020
Northeast China	24,807,636	13,499,200
North China	3,952,773	12,405,636
Others	1,576,561	950,527
Total	30,336,970	26,855,363

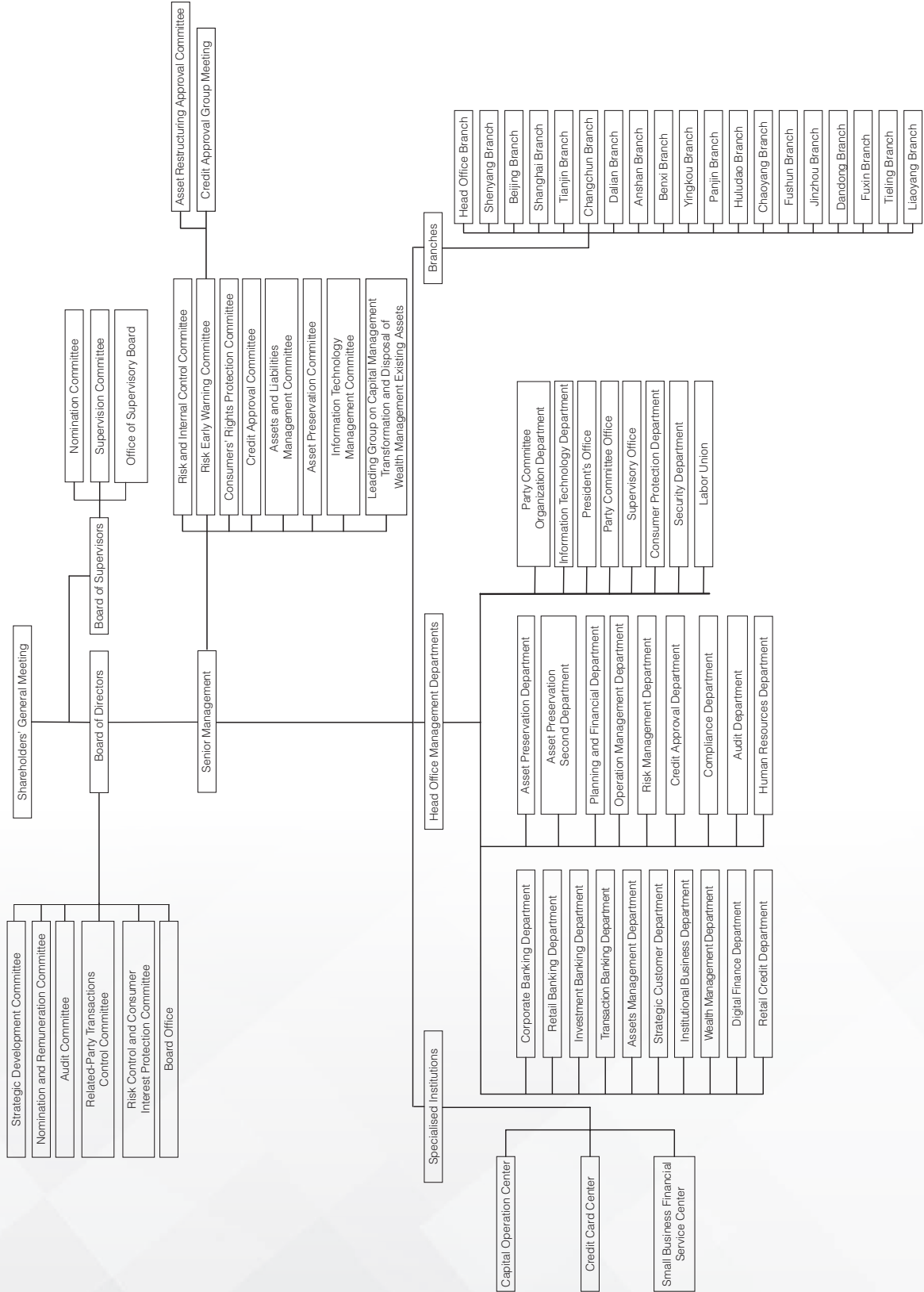
5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	31 December 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	1,355,289	3,022,512
– between 6 months and 1 year (inclusive)	3,171,020	2,979,035
– over 1 year	13,890,761	10,138,011
Total	18,417,070	16,139,558
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.23%	0.55%
– between 6 months and 1 year (inclusive)	0.54%	0.55%
– over 1 year	2.37%	1.85%
Total	3.14%	2.95%



ORGANISATIONAL CHART

ORGANISATIONAL CHART





Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

As at 31 December 2021, the Bank has a total of 212 operating institutions, including one institution with legal person status, three specialised institutions, 18 branches, 185 sub-branches and five small and micro sub-branches, details of which are set out as follows:

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
1	Head Office	Shengjing Bank Co., Ltd.	"No. 109, Beizhan Road, Shenhe District, Shenyang City"	024-22535633	110013	024-22535633
2	"Beijing Municipality"	"Beijing Branch of Shengjing Bank Co., Ltd."	"Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing Municipality"	010-85570028	100026	010-85570028
3		"Beijing Zhongguancun Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 108, 109, Floor 1, No. 8, Haidian North 2nd Street, Haidian District, Beijing Municipality"	010-59718592	100080	010-59718592
4		"Beijing Guanyuan Sub-Branch of Shengjing Bank Co., Ltd."	"Commercial 5 (De Sheng Zone), Building 1, Yard 9, Chegongzhuang Street, Xicheng District, Beijing Municipality"	010-85251177	100044	010-85251177
5		"Beijing Wukesong Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 3, No. 69, Fuxing Road, Haidian District, Beijing Municipality"	010-88199290	100039	010-88199292
6		"Beijing Shunyi Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Tower 1, No 2, Zhanqian East Street, Shunyi District, Beijing Municipality"	010-61426812	101300	010-61426812
7		"Beijing Daxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26, Section 3, Xingye Street, Daxing District, Beijing Municipality"	010-65820066	102600	010-65820066
8		"Beijing Shijingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 107, Floor 1, No.2, Yunquan Xili Zone 1, Shijingshan District, Beijing Municipality"	010-68636855	100040	010-68636855
9		"Beijing Wangjing Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 216-220, Floor 2, Building 8, District 4, Wangjing Dongyuan, Chaoyang District, Beijing Municipality"	010-64391577	100102	010-64391577
10		"Beijing Tongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Room 135 · 136 · 137, Floor 1, Building 1, Yard 3, Guanyin'an North Street, Tongzhou District, Beijing Municipality"	010-60568778	101100	010-69513102
11	Tianjin City	"Tianjin Branch of Shengjing Bank Co., Ltd."	"Shopping Mall of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City"	022-28379999	300201	022-28379999
12		"Tianjin Huayuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 150-04 and No. 150-206, Yingshui Road, Huayuan Industrial Zone"	022-58815628	300384	022-58815628
13		"Tianjin Binhai Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21-18, 2nd Street, Tianjin Development Zone"	022-59835260	300457	022-59835260
14		"Tianjin Beichen Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101, Building 4, Beichen Tower, Beichen District"	022-58687610	300400	022-58687610



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
15		"Tianjin Xiqing Sub-Branch of Shengjing Bank Co., Ltd."	No. 12-22, Jinfeng Road, Xiqing District	022-58335695	300380	022-58335695
16		"Tianjin Hedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District"	022-24410278	300011	022-24410278
17		"Tianjin Hebei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City"	022-58885920	300150	022-58885920
18		"Tianjin Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City"	022-59956312	300051	022-59956312
19		"Tianjin Dongli Sub-Branch of Shengjing Bank Co., Ltd."	"Room 3-110, Guangfu Business Center, Dongli District, Tianjin City"	022-84965926	300301	022-84965926
20		"Tianjin Nankai Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Nanfang Building, Northwest of the intersection of Anshan West Road and West Lake Village Street, Nankai District, Tianjin City"	022-83698133	300073	022-83698133
21		"Tianjin Jingtian Apartment Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"Zone 5-5-101A, Jingtian Apartment, Jiarongli Street, Beichen District, Tianjin City"	022-83904179	300134	022-83904179
22	"Shanghai Municipality"	"Shanghai Branch of Shengjing Bank Co., Ltd."	"Room 102, 103, 202, No. 1452, Hongqiao Road, Changning District, Shanghai Municipality"	021-32097727	200050	021-32097936
23		"Shanghai Putuo Sub-Branch of Shengjing Bank Co., Ltd."	"Room A8005-A8006, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai Municipality"	021-60290531	200333	021-60290531
24		"Shanghai Songjiang Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1 & 2, No. 2, 4, 6, 8 & 10, Changxin Garden, Lane 1855, Sixian Road, Songjiang District, Shanghai Municipality"	021-67828575	201620	021-67828575
25		"Shanghai Pudong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 968, Pudong Avenue, China (Shanghai) Pilot Free Trade Zone"	021-60191765	200135	021-60191755
26		"Shanghai Changning Anlong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 759, Longan Road, Changning District, Shanghai Municipality"	021-60791282	200336	021-60791282
27		"Shanghai Xuhui Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 107/108, Floor 1 & Shop 210/209, Floor 2, No. 75, Tianlin East Road, Xuhui District, Shanghai Municipality"	021-61270576	200235	021-61270576
28		"Shanghai Huangpu Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 02, Floor 1, No. 689, Guangdong Road, Huangpu District, Shanghai Municipality"	021-33316501	200001	021-33316501
29		"Shanghai Jing'an Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Building No. 1, No.555, Nanjing West Road, Jing'an District, Shanghai Municipality"	021-52897970	200041	021-52897927
30		"Shanghai Yangpu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 166, 168, 170, Guoquan East Road, Yangpu District, Shanghai Municipality"	021-55960667	200433	021-55960667
31		"Shanghai Zhabei Sub-Branch of Shengjing Bank Co., Ltd."	"Room 101-10, 101-11, 101-12, 101-13, No.160, Jiangchang West Road, Jing'an District, Shanghai Municipality"	021-56525171	200040	021-56525171



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
32	Changchun City	"Changchun Branch of Shengjing Bank Co., Ltd."	"No. 61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-81958888	130000	0431-81958888
33		Changchun Linhe Street Sub-branch of Shengjing Bank Co., Ltd.	No. 5320 Linhe Street, Economic Development Zone, Changchun City, Jilin Province	0431-81928705	130000	0431-81928705
34		"Changchun Xi'an Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Xi'an Avenue, Chaoyang District, Changchun City"	0431-89828555	130000	0431-89828555
35		"Changchun Xiangyun of Shengjing Bank Co., Ltd."	"No. 1438, Xiangyun Street, Lvyuan District, Changchun City"	0431-89297707	130000	0431-89297707
36		"Changchun Yongchun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, 4th Road, Nanguan District, Changchun City, Jilin Province"	0431-82008676	130000	0431-82008676
37		"Changchun Ziyou Avenue Sub-Branch of Shengjing Bank Co., Ltd"	"Block C, Yatai Haoyuan Community, No. 1008, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province"	0431-82008660	130000	0431-82008660
38		"Changchun Dongsheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1999, Jilin Avenue, Erdao District, Changchun City"	0431-81970381	132000	0431-81970381
39		"Jilin City Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 2-4, Post Office Building, No. 2, Songjiang East Road, Changyi District, Jilin City, Jilin Province"	0432-62673888	130000	0432-62673888
40		"Changchun CETDZ Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1138 & 1156, Weixing Road, Changchun Economic and Technological Development Zone"	0431-82008770	130000	0431-82008770
41		"Changchun Jingyang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3310, Jingyang Avenue, Changchun Automobile Economic and Technological Development Zone, Jilin City"	0431-82008706	130000	0431-82008706
42		"Changchun Quan Lou Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 18, Chongqing Hutong, Nanguan District, Changchun City, Changchun Province"	0431-89828555	130000	0431-89828555
43	"Liaoning Province"	"Shenyang Branch of Shengjing Bank Co., Ltd."	"No. 2 A, Wu'ai Street, Shenhe District, Shenyang City"	024-83256969	110016	024-83256978
44		"Shenyang Shenhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Zhong Jie Road, Shenhe District, Shenyang City"	024-84842085	110011	024-24869730
45		"Shenyang Shangyuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 34-A, Shangyuan Road, Dadong District, Shenyang City"	024-88326157	110041	024-88326157
46		"Shenyang Changqing Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6, 7, 8 & 9, No. 17-25, Changqing South Street, Hunnan District, Shenyang City"	024-31263205	110013	024-31263205
47		"Shenyang Jindi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, 5, No. 18-119, Xuecheng Road, Hunnan District, Shenyang City, Liaoning Province"	024-22972532	110000	024-22972532
48		"Shenyang Jiahua Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 8, No. 33-7, Fumin South Street, Hunnan District, Shenyang City, Liaoning Province"	024-24200230	110015	024-24200230
49		"Shenyang Zhongshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 206, Zhongshan Road, Shenhe District, Shenyang City"	024-22852026	110013	024-22852872



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
50		"Shenyang Zhenxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 181A, South 5th Road, Heping District, Shenyang City"	024-23244929	110006	024-23244929
51		"Shenyang Donghuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4 & 5, No. 37, Shentie Road, Dadong District, Shenyang City"	024-22712154	110044	024-22712154
52		"Shenyang Nanliu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16, South 8th Road, Heping District, Shenyang City"	024-23508046	110000	024-23508046
53		"Shenyang Zhaogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 3, Block 35, No. 26-A, North 2nd West Road, Tiexi District, Shenyang City"	024-23830881	110026	024-23830881
54		Shenyang Shenfu Demonstration Zone Sub-branch of Shengjing Bank Co., Ltd.	M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province	024-31620376	110000	024-23261166
55		"Shenyang Xinshijie Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5&6, No.7-19, South Sanhao Street, Heping District, Shenyang City"	024-82562359	110057	024-82562359
56		"Shenyang Binhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 92, Da'nán Street, Shenhe District, Shenyang City"	024-24120717	110011	024-24809998
57		"Shenyang Hengxin Sub-Branch of Shengjing Bank Co., Ltd."	"No. 51, Re'nao Road, Shenhe District, Shenyang City"	024-31290373	110011	024-31290373
58		"Shenyang Jinsha Sub-Branch of Shengjing Bank Co., Ltd."	"No. 187, Daxi Road, Shenhe District, Shenyang City"	024-22973779	110014	024-22973779
59		"Shenyang Zhongxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Zhongxing Street, Heping District, Shenyang City"	024-23218962	110001	024-23218962
60		"Shenyang Yuhong New Town Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Xiannvhe Road, Yuhong District, Shenyang City, Liaoning Province (All)"	024-25711310	110107	024-25711310
61		"Shenyang Wanquan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 35, Changqing Street, Shenhe District, Shenyang City"	024-24212158	110015	024-24212158
62		"Shenyang 204 Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Liming 5th Street, Dadong District, Shenyang City"	024-88417845	110043	024-88417845
63		"Shenyang Jiahe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City"	024-24627163	110015	024-24627163
64		"Shenyang Dongmao Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2 & 3, No. 18A-42, Dongling Road, Shenhe District, Shenyang City"	024-88421161	110136	024-88421161
65		"Shenyang North Station Sub-Branch of Shengjing Bank Co., Ltd."	"No. 27, Huigong East 1st Street, Shenhe District, Shenyang City"	024-88522942	110013	024-88522942
66		"Shenyang Jiaoyu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 55, 2nd Longitude Street, Shenhe District, Shenyang City"	024-22840330	110068	024-22840330



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
67		"Shenyang Yinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 180, Xiaonan Street, Shenhe District, Shenyang City"	024-24187108	110016	024-24187108
68		"Shenyang Songling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 88, Huanghe North Street, Yuhong District, Shenyang City"	024-86537301	110144	024-86537301
69		"Shenyang Nujiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-1, 1-2, 1-3, 1-4, No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City"	024-86515855	110031	024-86515855
70		"Shenyang Huanghe Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 111, Huanghe South Street, Huanggu District, Shenyang City,"	024-82555819	110031	024-82555819
71		"Shenyang Taishan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 5, 6&7, No. 7-4, Yalu River East Street, Huanggu District, Shenyang City"	024-86629596	110144	024-86629596
72		"Shenyang Nenjiang Sub-Branch of Shengjing Bank Co., Ltd."	"No.100, Nenjiang Street, Huanggu District, Shenyang City"	024-86250963	110031	024-86250963
73		"Shenyang Wuyi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 58, Liaohe Street, Huanggu District, Shenyang City"	024-86840414	110031	024-86840414
74		"Shenyang Xianggong Sub-Branch of Shengjing Bank Co., Ltd"	"No. 215, Huashan Road, Huanggu District, Shenyang City"	024-86749732	110035	024-86749732
75		"Shenyang Dabeiguan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 42, Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province"	024-88565286	110041	024-88565286
76		"Shenyang Yuhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Huanghai Road, Yuhong District, Shenyang City"	024-25305689	110141	024-25301499
77		"Shenyang Tiecheng Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3&4, Building 3, No. 25-1, Zhaogong South Street, Tiexi District, Shenyang City, Liaoning Province"	024-25717902	110024	024-25717901
78		"Shenyang Shuangxi Sub-Branch of Shengjing Bank Co., Ltd"	"No. 88, Zhonggong South Street, Tiexi District, Shenyang City"	024-25787387	110024	024-25787387
79		"Shenyang Zhangshi Sub-Branch of Shengjing Bank Co., Ltd."	No. 212, Shenliao Road, Shenyang Economic	024-25280910	110023	024-25280910
80		"Shenyang Economic and Technological Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21-A-5, Central Street, Shenyang Economic and Technological Development Zone"	024-62836296	110142	024-62836296
81		"Shenyang Liaozhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 106, Zhengfu Road, Liaozhong Town, Liaozhong District, Shenyang City, Liaoning Province"	024-87880580	110200	024-87880580
82		"Shenyang Xinmin Sub-Branch of Shengjing Bank Co., Ltd."	No. 3, Zhongxing East Road, Xinmin City	024-27855999	110300	024-27855959
83		"Shenyang Hemu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Jinqiao Road, Dadong District, Shenyang City"	024-24321474	110042	024-24321474
84		"Shenyang Dongbei Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 6&7, No. 262, Dongbei Avenue, Dadong District, Shenyang City, Liaoning Province"	024-88217598	110044	024-88212840



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
85		"Shenyang Bajiazi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 7, No. 22, Dongling West Road, Dadong District, Shenyang City, Liaoning Province"	024-88441405	110043	024-88441405
86		"Shenyang Dadong Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 116, Dongshuncheng Street, Dadong District, Shenyang City"	024-24845070	110041	024-24845070
87		"Shenyang Zhenghao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 68, Pangjiang Street, Dadong Street, Shenyang City"	024-24352501	110041	024-24352501
88		"Shenyang Jilong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City"	024-24321649	110041	024-24321649
89		"Shenyang Liaoshen Sub-Branch of Shengjing Bank Co., Ltd."	"16#, No. 1, Liaoshen 2nd Street, Dadong District, Shenyang City, Liaoning Province"	024-88113032	110041	024-88113032
90		"Shenyang Dongshuncheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 2, Dongshuncheng Road, Shenhe District, Shenyang City"	024-24867743	110014	024-24867743
91		"Shenyang Quanyuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 7, Fengle 2nd Street, Shenhe District, Shenyang City"	024-24829409	110167	024-24829409
92		"Shenyang Huashan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 76, Harbin Road, Heping District, Shenyang City"	024-22501048	110002	024-22501048
93		"Shenyang Xinhe Sub-Branch of Shengjing Bank Co., Ltd."	"No. 98, Shashan Street, Heping District, Shenyang City"	024-23304214	110005	024-23304214
94		"Shenyang Lingdong Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 12&13, No. 28, Tieshan Road, Huanggu District, Shenyang City, Liaoning Province"	024-31513441	110032	024-31513441
95		"Shenyang Huaxin Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 12, Huashan Road, Huanggu District, Shenyang City, Liaoning Province"	024-86413380	110031	024-86413380
96		"Shenyang Sanhao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 87 A-1, South Sanhao Street, Heping District, Shenyang City"	024-22503048	110004	024-22503048
97		"Shenyang Shenyang Road Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 21, No. 15-5, Shenyang Road, Hunnan New District, Shenyang City, Liaoning Province"	024-62346152	110180	024-62346152
98		"Shenyang Xuesong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 54, Xuesong Road, Sujiatun District, Shenyang City, Liaoning Province"	024-89586967	110101	024-89586967
99		"Shenyang Xiangshuwan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 6, Hejiang Street, Yuhong District, Shenyang City"	024-86527520	110031	024-86527520
100		"Shenyang Keji Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 2, No. 318, Qingnian Street, Heping District, Shenyang City, Liaoning Province"	024-23997390	110001	024-23842504
101		"Shenyang Nanhu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 21 A-1, Sanhao Street, Heping District, Shenyang City"	024-23895215	110001	024-23895215
102		"Shenyang Dongquan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 16, Quanyuan 1st Road, Shenhe District, Shenyang City"	024-24233911	110015	024-24233911



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
103		"Shenyang Dongxing Sub-Branch of Shengjing Bank Co., Ltd."	"Gates 11-12, No. 429 Da'n'an Street, Shenhe District, Shenyang City, Liaoning Province"	024-24516360	110016	024-24516360
104		"Shenyang Heping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 96, Taiyuan South Street, Heping District, Shenyang City"	024-23518649	110001	024-23528647
105		"Shenyang Nanjing Street Sub-Branch of Shengjing Bank Co., Ltd."	"No. 45, Nanjing South Street, Heping District, Shenyang City"	024-23523225	110001	024-23523225
106		"Shenyang Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14 and 16, Changbai 4th Street, Heping District, Shenyang City"	024-23523044	110166	024-23523044
107		"Shenyang Tianhe Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 101 & 102, No. 5, Zhongshan Road, Heping District, Shenyang City"	024-83465328	110002	024-83465328
108		"Shenyang Beishi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 218, Shifu Avenue, Heping District, Shenyang City"	024-62502761	110002	024-62502762
109		"Shenyang Hetai Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3, No. 107, Nanjing North Street, Heping District, Shenyang City"	024-22870771	110002	024-22870771
110		"Shenyang Taiyuan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 92, Shengli South Street, Heping District, Shenyang City"	024-22704016	110002	024-22704016
111		"Shenyang Medical University Sub-Branch of Shengjing Bank Co., Ltd."	"No.92, North Second Road, Heping District, Shenyang City"	024-83282796	110002	024-83282796
112		"Shenyang Hongxia Sub-Branch of Shengjing Bank Co., Ltd."	"No. 38, North 5th Longitude Street, Heping District, Shenyang City"	024-62250304	110003	024-62250304
113		"Shenyang Nanshi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 7, South 3rd Longitude Street, Shenhe District, Shenyang City"	024-22710606	110013	024-22710606
114		"Shenyang Shenshui Sub-Branch of Shengjing Bank Co., Ltd."	"No.496, Changbai Street, Heping District, Shenyang City"	024-31910800	110001	024-31910800
115		"Shenyang Baogong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City"	024-25655584	110021	024-25655584
116		"Shenyang Xinggong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 108, Xinggong North Street, Tiexi District, Shenyang City"	024-25851590	110021	024-25851590
117		"Shenyang Baoxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 29, Xinghua North Street, Tiexi District, Shenyang City"	024-25112720	110027	024-25112720
118		"Shenyang Tengfei Sub-Branch of Shengjing Bank Co., Ltd."	"No. 57, Tengfei 1st Street, Tiexi District, Shenyang City, Liaoning Province"	024-25931567	110027	024-25931567
119		"Shenyang Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 31, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25874600	110021	024-25874600
120		"Shenyang Mazhuang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 26, Mazhuang Street, Tiexi District, Shenyang City, Liaoning Province"	024-25728349	110023	024-25728349



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
121		"Shenyang Xinghua Sub-Branch of Shengjing Bank Co., Ltd."	"No. 14, Yanhua Street, Tiexi District, Shenyang City"	024-25964572	110021	024-25964572
122		"Shenyang Jianshe Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Jianshe Middle Road, Tiexi District, Shenyang City"	024-25866380	110021	024-25866380
123		"Shenyang Yunfeng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 98, Xishuncheng Street, Shenhe District, Shenyang City"	024-22535655	110013	024-22535655
124		"Shenyang Jingxing Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178, Xingshun Street, Tiexi District, Shenyang City"	024-85400343	110023	024-85400343
125		"Shenyang Xingshun Sub-Branch of Shengjing Bank Co., Ltd."	"(Gate 1) (Gate 2) (Gate 3) (Gate 4) (Gate 5) (Gate 6), No.23-1, North 2nd Middle Road, Tiexi District, Shenyang City"	024-81054378	110023	024-81054378
126		"Shenyang Huaxiang Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4-5, No. 18, Huaxiang Road, Tiexi District, Shenyang City"	024-25890701	110023	024-25890701
127		"Shenyang Yaming Sub-Branch of Shengjing Bank Co., Ltd."	"No. 100, Kunshan Middle Road, Huanggu District, Shenyang City"	024-86860739	110031	024-86852023
128		"Shenyang Tawan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City"	024-86722014	110031	024-86722014
129		"Shenyang Yalu River Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City"	024-86620510	110031	024-86620510
130		"Shenyang Beihuan Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 1, No. 78, North Changjiang Street, Yuhong District, Shenyang City"	024-86166201	110034	024-86166201
131		"Shenyang Changjiang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Changjiang Street, Huanggu District, Shenyang City"	024-86297739	110031	024-86297739
132		"Shenyang Ningshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 64, Ningshan Middle Road, Huanggu District, Shenyang City"	024-86240034	110031	024-86240034
133		"Shenyang Dongling Sub-Branch of Shengjing Bank Co., Ltd."	"No. 105A, Wanliutang Road, Shenhe District, Shenyang City, Liaoning Province"	024-24200020	110015	024-24200020
134		"Shenyang Fengle Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 4, No. 72, Wenhua East Road, Shenhe District, Shenyang City"	024-24222193	110015	024-24222193
135		"Shenyang Free Trade Zone Sub-Branch of Shengjing Bank Co., Ltd."	"Floor 1, Block D, No.109-4 Quanyun Road, Shenyang Area, China (Liaoning) Pilot Free Trade Zone (Room 128)"	024-83766268	110000	024-83766268
136		"Shenyang Hepan New Town Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-24564181	110000	024-24564181
137		"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-89811137	110101	024-89811137



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
138		"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-23732950	110001	024-23732950
139		"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	"Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City"	024-89825773	110101	024-89825773
140		"Shenyang Shenbei New District Sub-Branch of Shengjing Bank Co., Ltd."	"No. 32, Yinhe Street, Shenbei New District, Shenyang City"	024-89603292	110121	024-89603292
141		"Shenyang Daoyi Sub-Branch of Shengjing Bank Co., Ltd."	"Gate 3 & 4, No. 55-5, Daoyi North Street, Shenbei New District, Shenyang City"	024-89798932	110121	024-89798932
142		"Shenyang Kangping Sub-Branch of Shengjing Bank Co., Ltd."	"No.300 Central Street, Kangping Town, Kangping County, Shenyang City"	024-87335672	110500	024-87335672
143		"Shenyang Faku Sub-Branch of Shengjing Bank Co., Ltd."	"Shops 105, 106, 107, 108 & 109, Building 6, No. 41, Bianmen Street, Faku Town, Faku County, Shenyang City"	024-31109066	110400	024-31109166
144		"Dalian Branch of Shengjing Bank Co., Ltd."	"No. 160, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82566666	116011	0411-82566666
145		"Dalian Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 37-1, Liaohe West Road, Dalian Economic and Technological, Liaoning Province"	0411-87571166	116600	0411-87571166
146		"Dalian Wafangdian Sub-Branch of Shengjing Bank Co., Ltd."	"No. 559-7, 8 & 9, Zhufeng Street, Wenlan Street Office, Wafangdian City, Liaoning Province"	0411-85552255	116300	0411-85552255
147		"Dalian Wusi Square Sub-Branch of Shengjing Bank Co., Ltd."	"No. 10, Wusi Square, Shahekou District, Dalian City, Liaoning Province"	0411-84652233	116000	0411-84652233
148		"Dalian Xinghai Sub-Branch of Shengjing Bank Co., Ltd"	"No. 582, Zhongshan Road, Shahekou District, Dalian City, Liaoning Province"	0411-88144433	116000	0411-88144433
149		"Dalian Renmin Road Sub-Branch of Shengjing Bank Co., Ltd"	"No.73 Renmin Road, Zhongshan District, Dalian City, Liaoning Province"	0411-82593999	116011	0411-82593999
150		"Anshan Sub-Branch of Shengjing Bank Co., Ltd"	"5A, Hunan Street, Tiedong district, Anshan City, Liaoning Province"	0412-5939998	125000	0412-5939998
151		"Anshan Tiedong Sub-Branch of Shengjing Bank Co., Ltd."	"No. S9, No.S10 and No. S11, Floor 1, Building 40, Shannan Street, Tiedong district, Anshan City"	0412-5841266	114000	0412-5841266
152		"Anshan Tiexi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 178-S1, S2, S3 & S4, No. 178, Jiudao Street, Tiexi District, Anshan City"	0412-8592299	114000	0412-8592299
153		"Anshan Haicheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 4, Building 6-1, Baihui Xiangshan Estate, Dongguan Community, Haizhou Administrative Zone, Haicheng City, Liaoning Province"	0412-3666766	114000	0412-3666766
154		"Anshan Xinxing Sub-Branch of Shengjing Bank Co., Ltd."	"4-S1&4-S2, North Shengli Road, Lishan District, Anshan City, Liaoning Province"	0412-5916280	114000	0412-5916280



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
155		"Anshan Shengli Sub-Branch of Shengjing Bank Co., Ltd."	"No. 9-11, 9-12, Wuyi Road, Tiedong District, Anshan City"	0412-5939993	114000	0412-5939993
156		Anshan High-Tech Sub-branch of Shengjing Bank Co., Ltd.	"No. S10 and S11, Building 45, Yue Ling Road, High-tech Zone, Anshan City, Liaoning Province"	0412-5290155	114000	0412-5290155
157		"Fushun Branch of Shengjing Bank Co., Ltd."	"Room 2, 3 & 4, No. 57-7, Linjiang East Road, Shuncheng District, Fushun City, Liaoning Province"	024-53903666	113006	024-53903666
158		"Fushun Xinfu Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 2, Building 2, Wugong Street, Xinfu District, Fushun City, Liaoning Province"	024-53965666	113008	024-53965666
159		"Fushun Wanghua Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1 & 2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province"	024-53978966	113001	024-53978966
160		"Fushun Dongzhou Sub-Branch of Shengjing Bank Co., Ltd."	"First Floor of Room 5 and First & Second Floor of Room 6, Nonresidential Two-Floor Unit, No. 3, Dongzhou North Street, Dongzhou District, Fushun City, Liaoning Province"	024-53784333	113004	024-53784333
161		"Fushun Yong'antai Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 102, Unit 2, Building 5, Beitai Fifth Street, Xinfu District, Fushun City, Liaoning Province"	024-53986333	113008	024-53986333
162		"Benxi Branch of Shengjing Bank Co., Ltd."	"No. 4, Dongming Road, Pingshan District, Benxi City (Central Street, Pingshan District)"	024-43106888	117000	024-43106888
163		"Benxi Mingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 102, Jiefang North Road, Xinfeng Street, Mingshan District, Benxi City"	024-45580666	117000	024-45580666
164		"Benxi Shengli Road Sub-Branch of Shengjing Bank Co., Ltd."	"Building 57, Shengli Road, Mingshan District, Benxi City"	024-42966688	117000	024-42966688
165		"Benxi Pingshan Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province"	024-42966999	117000	024-42966999
166		"Benxi County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 331, Changjiang Road, Xiaoshi Town, Benxi Manchu Autonomous County, Liaoning Province"	024-43336111	117000	024-43336111
167		Benxi Huanren Sub-branch of Shengjing Bank Co., Ltd.	No. 2-2, Unit 0, Block 2, Group 02, Xiangyang Street, Huanren Town, Huanren Manzu Autonomous County, Benxi City, Liaoning Province	024-48217666	117200	024-48217666
168		Dandong Branch of Shengjing Bank	"No. 70, Qingnian Street, Zhenxing District, Dandong City"	0415-2946666	118000	0415-2946666
169		"Dandong Donggang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 30, Jinxiu Jiayuan Community, Dadong Administrative Zone, Donggang County-level City, Dandong City, Liaoning Province"	0415-2596666	118300	0415-2596666
170		Dandong Yuanbao Sub-branch of Shengjing Bank Co., Ltd.	"No. 20-1, 20-5 Xinglong Street, Yuanbao District, Dandong City, Liaoning Province"	0415-2800666	118000	0415-2800666
171		"Jinzhou Branch of Shengjing Bank Co., Ltd."	"No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City"	0416-2110900	121000	0416-2110900



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
172		"Jinzhou Yan'an Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-1, Jindi Jiayuan Community, Section 3, Yan'an Road, Guta District, Jinzhou City, Liaoning Province"	0416-2110950	121000	0416-2110950
173		"Jinzhou Jiefang Road Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8, 9, Section 171, Hangzhou Street, Linghe District, Jinzhou City, Liaoning Province"	0416-2110988	121000	0416-2110988
174		"Jinzhou Central Avenue Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-52 & 26-53, Section 3, Jiefang Road, Guta District, Jinzhou City, Liaoning Province"	0416-2110998	121000	0416-2110998
175		"Jinzhou Shifu Road Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-118, No.3-119, No.3-120, No.3-121, Dianyi Xinzhou, Shifu Road, Taihe District, Jinzhou City, Liaoning Province"	0416-3680555	121000	0416-3680555
176		"Yingkou Branch of Shengjing Bank Co., Ltd."	"No. 17, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province"	0417-6818666	115007	0417-6818666
177		"Yingkou Dashiqiao Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28 (Yandongli of Junmin Street), Hada Middle Road, Dashiqiao City"	0417-5826677	115100	0417-5826677
178		"Yingkou Shifu Sub-Branch of Shengjing Bank Co., Ltd."	"No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City"	0417-4887700	115000	0417-4887700
179		Yingkou Xiongyue Sub-branch of Shengjing Bank Co., Ltd.	Zhanqian Street, Xiongyue Town, Mackerel Circle District, Yingkou City, Liaoning Province (outlets at No. 25, Block 1, Parkson Commercial and Residential Apartment, and No. 26 and 27, Parkson Commercial and Residential Apartment East)	0417-6166640	115007	0417-6166640
180		"Yingkou Xuefu Sub-Branch of Shengjing Bank Co., Ltd"	No. 9-A4, North Xuefu Road, Zhanqian District	0417-2922345	115000	0417-2922345
181		"Yingkou Gaizhou Sub-Branch of Shengjing Bank Co., Ltd."	"Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Xicheng Street Office, Gaizhou City, Liaoning Province"	0417-7331666	115200	0417-7331666
182		"Yingkou Kunlun Sub-Branch of Shengjing Bank Co., Ltd."	"No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province"	0417-6166600	115007	0417-6166600
183		"Fuxin Branch of Shengjing Bank Co., Ltd."	"Gate 12, 14, 16, 18, 20, 22, No. 86, Zhonghua Road, Haizhou District, Fuxin City"	0418-5699999	123000	0418-5699999
184		"Fuxin Fumeng County Sub-Branch of Shengjing Bank Co., Ltd."	"No. 26-1-1-4, Building 26, Wenhua Road, Qiangmin Community, Fumeng County, Fuxin City, Liaoning Province"	0418-3590999	123100	0418-3590999
185		"Liaoyang Branch of Shengjing Bank Co., Ltd."	"No. 155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province"	0419-3736789	111000	0419-3736789
186		"Liaoyang Hongwei Sub-Branch of Shengjing Bank Co., Ltd."	"Outlet on First Floor, No. 28, Jiankang Road, Hongwei District, Liaoyang City, Liaoning Province"	0419-3679345	111003	0419-3679345
187		"Liaoyang Baita Sub-Branch of Shengjing Bank Co., Ltd."	1 & 2/F, Jindi Mingzuo, No.92-9 Minzhu Road, Baita District, Liaoyang City, Liaoning Province	0419-3679356	111000	0419-3679356

Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank 

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
188		"Tieling Sub-Branch of Shengjing Bank Co., Ltd."	"1-1, No.18 Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province"	024-72276666	112000	024-72276666
189		"Tieling Yinzhou Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 1, Zone C East, Building 22, No. 11, Huiyuan Community, Chaihe Street, Yinzhou District, Tieling City, Liaoning Province Shengjing Bank Co., Ltd."	024-76696666	112000	024-76696666
190		"Tieling Diaobingshan Sub-Branch of Shengjing Bank Co., Ltd."	"Beijindu Comprehensive Building, Trade Town east of Diaobingshan Street, Diaobingshan County-level City, Tieling City, Liaoning Province"	024-76516666	112700	024-76516666
191		"Chaoyang Branch of Shengjing Bank Co., Ltd."	"No. 401,102,202 &302 of G4 Outlet,Phase I Dongdu Jiayuan, North Street, Shuangta District"	0421-3999916	122000	0421-3999916
192		"Chaoyang Shuangta Sub-Branch of Shengjing Bank Co., Ltd."	"No.3-5, 3-6 and 3-7, Section 2, Zhujiang Road, Shuangta District, Chaoyang City, Liaoning Province"	0421-3606777	122000	0421-3606777
193		"Chaoyang Jianping Sub-Branch of Shengjing Bank Co., Ltd."	"No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province"	0421-7868787	124000	0421-7868787
194		"Chaoyang Longcheng Sub-Branch of Shengjing Bank Co., Ltd."	"No. 69-1 & 69-2, Section 5, Wenhua Road, Longcheng District, Chaoyang City, Liaoning Province"	0421-3895566	122000	0421-3895566
195		"Panjin Branch of Shengjing Bank Co., Ltd."	"No. 136, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3290900	124000	0427-3290900
196		"Panjin Development Zone Sub-Branch of Shengjing Bank Co., Ltd."	"No. 236, Taishan Road, Xinglongtai District, Panjin City"	0427-3267099	124000	0427-3267099
197		"Panjin Liaohe Oil Field Sub-Branch of Shengjing Bank Co., Ltd."	"Business Outlet No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City"	0427-3291099	124000	0427-3291099
198		"Panjin Panshan Sub-Branch of Shengjing Bank Co., Ltd."	"Room 102, Floor 1, Venture Building, No.8, Fuqian Street, Panshan County, Panjin City, Liaoning Province"	0427-3712199	124000	0427-3712199
199		"Panjin Shuangtaizi Sub-Branch of Shengjing Bank Co., Ltd."	"No. 156, Shengli Street, Shuangtaizi District, Panjin City, Liaoning Province"	0427-3710880	124000	0427-3710880
200		Panjin Taishan Road Sub-branch of Shengjing Bank Co., Ltd.	"No. 13, 14 and 15, Building 17, Yayuan Community, Kunlun Yunjing Phase II, Tianjia Town, Dawa District, Panjin City, Liaoning Province"	0427-3790999	124000	0427-3790999
201		"Panjin Leyuan Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 41-1, Leyuan Road, Xinglongtai District, Panjin City, Liaoning Province"	0427-6590799	124000	0427-6590799
202		"Panjin Jinxiang Small and Micro Sub-Branch of Shengjing Bank Co., Ltd."	"No. 182-10-6, Xinglongtai Street, Xinglongtai District, Panjin City, Liaoning Province"	0427-7860290	124000	0427-7860290
203		"Huludao Branch of Shengjing Bank Co., Ltd."	"Building L & Building B, No. 145, Longwan Street, Longgang District, Huludao City, Liaoning Province"	0429-3023018	125000	0429-3023018



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK (CONTINUED)

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
204		"Huludao Lianshan Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, No. 5, Lianshan Street, Lianshan District, Huludao City, Liaoning Province"	0429-3077666	125000	0429-3077666
205		"Huludao Longgang Sub-Branch of Shengjing Bank Co., Ltd."	"No. 28, Longwan Street, Longgang District, Huludao City"	0429-3122000	125000	0429-3122000
206		"Huludao Xingcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Bihai Yaju Community, Diaoyutai Street Office, Xingcheng City, Liaoning Province"	0429-5677766	125000	0429-5677766
207		"Huludao Suizhong Sub-Branch of Shengjing Bank Co., Ltd."	"No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province"	0429-3258001	125000	0429-3258001
208		"Huludao Dongcheng Sub-Branch of Shengjing Bank Co., Ltd."	"Building A, B, C, No. 3-5, Fumin Street, Lianshan District, Huludao City, Liaoning Province"	0429-3220707	125000	0429-3220707
209		"Huludao Jianchang Sub-Branch of Shengjing Bank Co., Ltd."	"Shop 3, 4, 5 & 6 Eastward, South of Tianxing commercial & residential community, East Guangming Street (originally people' armed forces), Jianchang County, Huludao City, Liaoning Province"	0429-3305858	125000	0429-3305858
210		"Credit Card Center of Shengjing Bank Co., Ltd."	"Floor 39, Building 1, Xindi Center, No. 10, Youhao Street, Shenhe District, Shenyang City"	024-23323777-1056	110013	024-23323777-1056
211		"Capital Operation Center of Shengjing Bank Co., Ltd."	"No. 15, Baogong South Street, Tiexi District, Shenyang City, Liaoning Province"	024-80108668	110000	024-80108668
212		"Small Business Financial Service Center of Shengjing Bank Co., Ltd."	M1, M2, M3, M4, M5, M6, M24, M25, M26, M27, M28, M29, M30, M31, No. 437-83 Hunnan East Road, Shenfu Demonstration Zone, Liaoning Province	024-86108301	110101	024-86108301

DEFINITION

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, the “Company”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京银行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBIRC Liaoning Bureau”	China Banking and Insurance Regulatory Commission Liaoning Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Last Practicable Date”	30 March 2022, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain data contained in this report



DEFINITION (CONTINUED)

“Macau”	the Macau Special Administrative Region of the PRC
“PBOC” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China
“Reporting Period”	the year ended 31 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang Hengxin”	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002
“Shenyang SASAC”	State-owned Assets Supervision and Administration Commission of Shenyang Municipal People’s Government
“State Council”	the State Council of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent



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